



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 \* 989.837.2717 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)

REGULAR MEETING OF THE MIDLAND CITY COUNCIL  
City Hall, 333 W. Ellsworth Street

January 09, 2017

7:00 PM

AGENDA

CALL TO ORDER - Maureen Donker, Mayor

PLEDGE OF ALLEGIANCE TO THE FLAG

ROLL CALL - Thomas W. Adams  
Steve Arnosky  
Diane Brown Wilhelm  
Maureen Donker  
Marty A. Wazbinski

CONSIDERATION OF ADOPTING CONSENT AGENDA ITEMS:

All resolutions marked with an asterisk are considered to be routine and will be enacted by one motion. There will be no separate consideration of these items unless a Council member or citizen so requests during the discussion stage of the "Motion to adopt the Consent Agenda as indicated." If there is even a single request the item will be removed from the consent agenda without further motion and considered in its listed sequence in regular fashion.

APPROVAL OF MINUTES:

1. \* Approve minutes of the December 12, 2016 regular City Council meeting.  
TISDALE

PROCLAMATIONS, AWARDS, RECOGNITIONS, PRESENTATIONS:

PUBLIC HEARINGS:

2. Amending the 2016-2017 Grace A. Dow Memorial Library budget to award contract for fascia restoration at the Library. BARNARD
  - a. Amendment to the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000 to restore the exterior fascia on the library (also see material sent in the December 5, 2016 agenda packet).

- b. Authorizing an agreement with Three Rivers Corporation for the restoration of the fascia on the Grace A. Dow Memorial Library.

PUBLIC COMMENTS, IF ANY, BEFORE CITY COUNCIL. This is an opportunity for people to address the City Council on issues that are relevant to Council business but are not on the agenda.

ORDINANCE AMENDMENTS:

RESOLUTIONS:

- 3. \* Approving resolutions for Currie Municipal Golf Course: KEENAN
  - a. \* Accepting a gift of \$10,000 and \$7,000 from the Mary Currie Foundation.
  - b. \* Setting a public hearing to amend the 2016-17 Currie Municipal Golf Course Fund budget to increase revenues and expenses by \$17,000 for tree removal and reforestation, and replacing the carpeting in the West Club House (1/23).
- 4. \* Approving the re-election of David A. Keenan and Jenee Velasquez to the City and County of Midland Joint Building Authority. KEENAN
- 5. \* Receiving and filing the audit of the City and County of Midland Joint Building Authority for the year ended June 30, 2016. KEENAN
- 6. \* Receiving the 2015-2016 Financial Statements and Auditors' Report for the Saginaw-Midland Municipal Water Supply Corporation. SOVA
- 7. \* Approving the request from Midland Public Schools to charge admission to athletic events held in City parks and facilities. MURPHY
- 8. \* Recognizing the Midland County Child Protection Council Safe & Sound Child Advocacy Center as a nonprofit organization in the community. LYNCH
- 9. Receiving and filing a staff report to the City Council regarding outcomes of the 2017 City Council Planning Retreat. LYNCH

Considering purchases and contracts:

- 10. \* Winter Blend Diesel Fuel purchase from December 13, 2016 (4/5 vote required). MURPHY
- 11. \* E10 Ethanol Blend Unleaded Fuel purchase from December 28 (4/5 vote required). MURPHY
- 12. \* Purchase Order Increase to Anthony Gushow & Sons, Inc. for Cover Sand purchases - Landfill. SOVA

Setting a public hearing:

NEW BUSINESS:

TO CONTACT THE CITY WITH QUESTIONS OR FOR ADDITIONAL INFORMATION:

Citizen Comment Line:	837-3400
City of Midland website address:	<a href="http://www.cityofmidlandmi.gov">www.cityofmidlandmi.gov</a>
City of Midland email address:	<a href="mailto:cityhall@midland-mi.org">cityhall@midland-mi.org</a>
Government Information Center:	located near the reference desk at the Grace A. Dow Memorial Library

**Backup material for agenda item:**

1.       \* Approve minutes of the December 12, 2016 regular City Council meeting.  
TISDALE

December 12, 2016

A regular meeting of the City Council was held on Monday, December 12, 2016, at 7:00 p.m. in the Council Chambers of City Hall. Mayor Donker presided. The Pledge of Allegiance to the Flag was led by Boy Scout Troop 763 – First Baptist Church.

Councilmen present: Thomas Adams, Steve Arnosky, Diane Brown Wilhelm, Maureen Donker, Marty Wazbinski

Councilmen absent: None

### **MINUTES**

Approval of the minutes of the December 5, 2016 special and regular meetings was offered by Councilman Wazbinski and seconded by Councilman Adams. (Motion ADOPTED.)

### **EXCELLENCE IN SAFETY AWARD**

Director of Human Resources and Labor Relations Carol Stone presented information on the City of Midland Excellence in Safety Award received from Great Lakes Safety Training Center.

### **PUBLIC COMMENTS**

No public comments were made.

### **NON-MOTORIZED WAYFINDING SIGNAGE**

Assistant City Manager for Development Services Brad Kaye presented information on the placement of Non-Motorized Wayfinding Signage and the process used to identify sign locations. Maureen Aloff, 3655 N. Perrine Road, expressed concern with signage being broken or vandalized. The following resolution was then offered by Councilman Arnosky and seconded by Councilman Brown Wilhelm:

WHEREAS, the Midland Area Community Foundation has allocated funds to be granted to the City of Midland to cover the costs of fabrication and installation of non-motorized wayfinding signage along area non-motorized pathways; and

WHEREAS, sealed proposals were advertised and received in accord with Article II of Chapter 2 of the Midland Code of Ordinances for such signage, Bid No. 3830; and

WHEREAS, the low sealed bid proposal submitted by Pro Image Design, Traverse City, MI has been reviewed and determined to comply with City specifications; now therefore

RESOLVED, that the low sealed bid proposal meeting City specifications submitted by Pro Image Design, Traverse City, MI for pedestrian wayfinding signage for Bid No. 3830 is hereby accepted; and

RESOLVED FURTHER, that a purchase order in the amount of \$30,226.25 to Pro Image Design is hereby authorized in accord with this resolution and City Specifications; and

RESOLVED FURTHER, that the City Manager is authorized to approve changes to the purchase order in an aggregate amount not to exceed \$3,000.00. (Motion ADOPTED.)

### **ALUMINUM FOR TRICKLING FILTER ARMS – WASTEWATER**

Utilities Director Joe Sova presented information on the Wastewater Treatment Plant and the purchase of Aluminum Trickling Filter Arms. The following resolution was then offered by Councilman Brown Wilhelm and seconded by Councilman Arnosky:

WHEREAS, the City of Midland Wastewater Treatment Plant (WWTP) has two different secondary biological processes associated with the treatment of sewage as it flows through the

WWTP, with one half of the WWTP utilizing an oxidation ditch process, while the other half utilizes trickling filters; and

WHEREAS, the trickling filter side of the WWTP was constructed in 1962, and is comprised of two parallel trains (an east and a west), each utilizing a primary tank, a primary trickling filter, an intermediate clarifier, a secondary trickling filter, and a final clarifier, to progressively settle out solids and break down the biological content of the sewage; and

WHEREAS, the center column and distribution arm components of the secondary trickling filters are made of aluminum and were last replaced in 1990 as part of the plant upgrade; and

WHEREAS, the aluminum is breaking down, with pitting and welds starting to fail due to the corrosive nature of the wastewater; and

WHEREAS, staff researched the idea of purchasing the necessary aluminum pieces, with some shaping provided by the manufacturer, and the remaining fabrication, assembling, and welding of the center columns and arms are to be done in-house by WWTP mechanics; and

WHEREAS, on November 22, 2016, a lone bid was received for Bid No. 3832, Aluminum for Trickling Filter, in accord with section 2-18 of the Midland Code of Ordinances, from Tru Steel Metals LLC, Bedford Heights, Ohio in the amount of \$38,964.45, and will supply aluminum pieces, with some rolling, bending, and fabrication of the center columns and arms, and deliver to the WWTP at a substantial cost savings to the City; and

WHEREAS, funding has been budgeted for the purpose of replacing both secondary trickling filters in the 2016/17 Wastewater Enterprise Fund Account 590.9010.97.002 - Capital Outlay Construction; now therefore

RESOLVED, that the lone bid in the amount of \$38,964.45 is hereby accepted and a purchase order in that amount is authorized to Tru Steel Metals for the supply and delivery of aluminum pieces to be used in the assembly of two secondary trickling filters at the WWTP, in the best interest of the City. (Motion ADOPTED.)

Being no further business the meeting adjourned at 7:35 p.m.

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Selina Tisdale, City Clerk

**Backup material for agenda item:**

2. Amending the 2016-2017 Grace A. Dow Memorial Library budget to award contract for fascia restoration at the Library. BARNARD
  - a. Amendment to the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000 to restore the exterior fascia on the library (also see material sent in the December 5, 2016 agenda packet).
  - b. Authorizing an agreement with Three Rivers Corporation for the restoration of the fascia on the Grace A. Dow Memorial Library.

**SUMMARY REPORT TO MANAGER  
For City Council Meeting of January 9, 2017**

**SUBJECT:** Amend the 2016-2017 budget of the Grace A. Dow Memorial Library to recognize revenues and expenditures to restore the exterior fascia on the library and execute an agreement with Three Rivers Corporation for the construction.

**INITIATED BY:** Melissa Barnard

**RESOLUTION SUMMARY:**

Resolutions:

- a. Amends the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000 to restore the exterior fascia on the library.
- b. Authorizes the Mayor and City Clerk to execute an agreement with Three Rivers Corporation for the restoration of the fascia on the Grace A. Dow Memorial in an amount not to exceed \$396,000 upon document approval by the City Attorney, and further provides the City Manager authorization to approve change orders not to exceed \$20,000 in total.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Resolutions

**COUNCIL ACTION:**

3/5 vote required to approve resolutions

Melissa Barnard  
Library Director





*Grace A. Dow Memorial Library ♦ 1710 West Saint Andrews Road ♦ Midland, MI 48640-2698  
989.837.3430 ♦ 989.837.3468 Fax ♦ [www.cityofmidlandmi.gov/library](http://www.cityofmidlandmi.gov/library)*

January 4, 2017

TO: Jon Lynch, City Manager

SUBJECT: Amend the 2016-2017 Grace A. Dow Memorial Library Budget and Execute an Agreement with Three Rivers Corporation

A resolution approved by City Council at the December 5, 2016 meeting set a public hearing for Monday, January 9, 2017 to amend the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000 to restore the exterior fascia on the library.

At the meeting of the City Council on December 5, 2016, a resolution was approved accepting a grant in the amount of \$250,000 from the Alden and Vada Dow Family Foundations and a grant from The Herbert H. and Grace A. Dow Foundation in the amount of \$190,000 to fund the fascia restoration project.

In anticipation of the grants, the 2016-2017 Grace A. Dow Memorial Library budget includes revenues and expenses of \$274,000 towards this project. The cost of the project based on the bids received required an increase in the grant amounts resulting in a cost of \$440,000. Because only \$274,000 has been included in the budget, it is necessary to increase the revenue and expenditures by \$166,000.

On Tuesday, September 20, 2016 at 2:00 p.m. sealed proposals for Bid #3819, Library Fascia Replacement Project, were publicly opened by the Senior Procurement Accountant.

Bids were received as follows:

Three Rivers Corporation, Midland	\$396,000
Wm. Bronner & Son Construction Inc., Frankenmuth	\$436,000
Serenus Johnson Construction, Bay City	\$436,600

Interviews were conducted with each of the bidders. Staff is recommending awarding the contract to Three Rivers Corporation as the lowest bidder meeting the specifications. WTA is providing architectural services for the project and they support the recommendation.

It is requested that City Council approve the resolution to amend the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000, and authorize the Mayor and City Clerk to execute an agreement with Three Rivers Corporation for restoration of the building fascia at the Grace A. Dow Memorial Library in an amount not to exceed \$396,000 upon document approval by the City Attorney. The resolution further authorizes the City Manager to approve change orders not to exceed \$20,000 in total.

Respectfully Submitted,

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Melissa Barnard, Library Director

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Tiffany Jurgess, Senior Procurement Accountant



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BY COUNCILMAN

WHEREAS, the City of Midland has received grants in the amount of \$440,000 from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation to fund the restoration of the fascia on the library; and

WHEREAS, in accord with Section 11.6 of the Charter of the City of Midland, and after having given proper legal notice, and having conducted a public hearing on Monday, January 9, 2017 in the Council Chambers of City Hall on the proposal to amend the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues by \$166,000 and increase expenditures by \$166,000 to fund the restoration of the fascia on the library; now therefore

RESOLVED, that the 2016-2017 Grace A. Dow Memorial Library budget is hereby amended to increase revenues by \$166,000 and increase expenditures by \$166,000 to recognize grants related to the restoration of the fascia on the library.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk



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BY COUNCILMAN

WHEREAS, sealed proposals have been advertised and received in accord with Article II of Chapter 2 of the Midland Code of Ordinances for the restoration of the building fascia at the Grace A. Dow Memorial Library; and

WHEREAS, funds are available in the 2016-2017 Grace A. Dow Memorial Library budget; now therefore

RESOLVED, that the Mayor and City Clerk are hereby authorized to execute an agreement with Three Rivers Corporation for the restoration of the fascia on the Grace A. Dow Memorial Library in an amount not to exceed \$396,000 upon document approval by the City Attorney; and

RESOLVED FURTHER, that the City Manager has the authority to approve change orders modifying or altering this contract in an aggregate amount not to exceed \$20,000 in total.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a     yea vote of all of the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk

12-5-16  
Accepts grants  
Set PH for  
1-9-17

⑦

**SUMMARY REPORT TO MANAGER  
For City Council Meeting of December 5, 2016**

**SUBJECT:** Accept grants from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation to restore the exterior fascia on the Grace A. Dow Memorial Library and set a public hearing to amend the 2016-2017 Grace A. Dow Memorial Library budget.

**INITIATED BY:** Melissa Barnard

**RESOLUTION SUMMARY:**

**Resolutions:**


- a. Accept grants from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation in the amount of \$440,000 to fund the Grace A. Dow Memorial Library fascia restoration project.
- b. Set a public hearing for Monday, January 9, 2017 at 7:00 p.m. in the Council Chambers on a proposal to amend the 2016-2017 Grace A. Dow Memorial Library budget to increase revenues and expenditures by \$166,000 to restore the exterior fascia on the library.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Resolutions

**COUNCIL ACTION:**

3/5 vote required to approve resolutions

  
Melissa Barnard  
Library Director



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989.837.3430 • 989.837.3468 Fax • [www.cityofmidlandmi.gov/library](http://www.cityofmidlandmi.gov/library)

November 30, 2016

TO: Jon Lynch, City Manager

SUBJECT: Accept Grants and Amend the Grace A. Dow Memorial Library Budget

The City of Midland received a grant from the Alden and Vada Dow Family Foundations in the amount of \$250,000 and a grant from The Herbert H. and Grace A. Dow Foundation in the amount of \$190,000 to fund the fascia restoration project. The project goal is to preserve the architectural heritage of the library and its importance to the community.

We are very thankful to the Trustees of the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation for awarding these very generous grants and appreciate the opportunity to restore the fascia and enhance the architectural appearance of the library.

In anticipation of the grants, the 2016-2017 Grace A. Dow Memorial Library budget includes revenues and expenses of \$274,000 towards this project. The cost of the project based on the bids received required an increase in the grant amounts resulting in a total construction cost of \$440,000. Because only \$274,000 has been included in the budget, it is necessary to increase the revenue and expenditures by \$166,000.

Two resolutions are provided. The first would accept the grants from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation to fund the restoration of the fascia on the Grace A. Dow Memorial Library. The second would set January 9, 2017 as the date for holding a public hearing to amend the 2016-2017 Grace A. Dow Memorial Library budget by increasing revenues and expenditures by \$166,000.

Respectfully Submitted,

  
Melissa Barnard, Library Director



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**BY COUNCILMAN**

WHEREAS, the City of Midland has received a grant in the amount of \$250,000 from the Alden and Vada Dow Family Foundations and a grant from The Herbert H. and Grace A. Dow Foundation in the amount of \$190,000 to fund the restoration of the exterior fascia on the Grace A. Dow Memorial Library; and

WHEREAS, the funding from these grants will enhance the appearance and preserve the architectural heritage of the library and its importance to the community; now therefore

RESOLVED, that the City Council of the City of Midland hereby accept grants of \$440,000 from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation to fund the restoration of the exterior fascia on the Grace A. Dow Memorial Library.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeavote of all the Councilmen present at a regular meeting of the City Council held Monday, December 5, 2016.

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Selina Tisdale, City Clerk



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BY COUNCILMAN

WHEREAS, the City of Midland has received grants in the amount of \$440,000 from the Alden and Vada Dow Family Foundations and The Herbert H. and Grace A. Dow Foundation to fund the restoration of the fascia on the library; and

WHEREAS, it is necessary to amend the 2016-2017 budget of the Grace A. Dow Memorial Library to include these funds; now therefore

RESOLVED, that in accord with Section 11.6 of the Charter of the City of Midland, a public hearing shall be conducted at 7:00 p.m. on Monday, January 9, 2017 in the Council Chambers of City Hall on a proposal to amend the 2016-2017 budget of the Grace A. Dow Memorial Library to increase revenues by \$166,000 and to increase expenditures by \$166,000 to fund the restoration of the building fascia on the library; and

RESOLVED FURTHER, that the City Clerk is hereby directed to give notice as provided in Section 5.11 of the Charter of the City of Midland.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeavote of all the Councilmen present at a regular meeting of the City Council held Monday, December 5, 2016.

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Selina Tisdale, City Clerk



**Backup material for agenda item:**

3.     \* Approving resolutions for Currie Municipal Golf Course: KEENAN
  - a.       \* Accepting a gift of \$10,000 and \$7,000 from the Mary Currie Foundation.
  - b.       \* Setting a public hearing to amend the 2016-17 Currie Municipal Golf Course Fund budget to increase revenues and expenses by \$17,000 for tree removal and reforestation, and replacing the carpeting in the West Club House (1/23).

**SUMMARY REPORT TO MANAGER**  
For City Council Meeting of January 9, 2017

**SUBJECT:** Accepting gifts from the Mary C. Currie Foundation, and setting a public hearing to amend the 2016-17 Currie Municipal Golf Course Fund budget to increase revenues and expenses to provide authorization to spend these donated funds.

**INITIATED BY:** David A. Keenan, Assistant City Manager

**RESOLUTION SUMMARY:**

Resolutions

- a. Accept gifts of \$10,000 and \$7,000 from the Mary C. Currie Foundation, and
- b. Set a public hearing for Monday, January 23, 2017, in the Council Chambers of City Hall on the proposal to amend the 2016-17 Currie Municipal Golf Course Fund budget to increase revenues and expenses by \$17,000 for tree removal and reforestation, and replacing the carpeting in the West Club House.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Resolutions

**CITY COUNCIL ACTION:**

3/5 affirmative vote required for adoption

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David A. Keenan  
Assistant City Manager



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TO: Jon Lynch, City Manager

FM: David A. Keenan, Assistant City Manager

DT: January 4, 2017

RE: Amending the 2016-17 Golf Course Fund Budget

As a result of the emerald ash borer arriving in our community a few years back, the Currie Municipal Golf Course (the Course) lost many trees throughout the property. The placement of some of these dead trees is relevant to not only the aesthetics of the Course, but also to the playability of some of the holes, and the safety of the golfers.

In December of 2015 the Mary C. Currie Foundation had generously given the Course \$10,000 to help facilitate the tree removal and the reforestation process. Staff was able to make significant progress, but the project is ongoing. On December 27, 2016 the City received an additional \$10,000 from the Mary C. Currie Foundation to make more progress towards tree removal and reforestation.

The West Club House was completed about 15 years ago and continues to use the original carpet. Due to the high concentration of traffic in the common areas, the carpet is subjected to quite a bit of wear and tear. Staff has determined it is time to replace the carpet. To help facilitate that replacement, the Mary C. Currie Foundation has given the City a second gift of \$7,000 to help pay for the carpet replacement in the West Club House.

In order to spend these two gifts, it is necessary to amend the 2016-17 Currie Municipal Golf Course Fund budget. Amending a budget requires a public hearing and Council involvement at two separate meetings: the first meeting to set the date for a public hearing, and the second to hold a public hearing. In addition to formally accepting these gifts from the Mary C. Currie Foundation, the attached resolutions for City Council's consideration would schedule January 23, 2017 as the date for holding a public hearing. The gifts will be discussed publicly during the staff presentation for the public hearing.



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BY COUNCILMAN

WHEREAS, the Mary C. Currie Foundation has given the Currie Municipal Golf Course gifts in the amount of \$10,000 for tree removal and reforestation, and \$7,000 for carpet replacement at the West Club House; now therefore

RESOLVED, that the City Council of the City of Midland graciously accepts these gifts of \$10,000 and \$7,000 from the Mary C. Currie Foundation.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all of the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk



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BY COUNCILMAN

WHEREAS, the Mary C. Currie Foundation has given the Currie Municipal Golf Course gifts in the amount of \$10,000 for tree removal and reforestation, and \$7,000 for carpet replacement at the West Club House; and

WHEREAS, the 2016-17 Currie Municipal Golf Course Fund budget needs to be amended to include this additional revenue and expenditures; now therefore

RESOLVED, that in accord with Section 11.6 of the Charter of the City of Midland, a public hearing shall be conducted at 7:00 p.m. Monday, January 23, 2017 in the Council Chambers of City Hall on the proposal to amend the 2016-17 Currie Municipal Golf Course Fund budget to increase revenues and expenses by \$17,000 to provide authorization to spend the gifts from the Mary C. Currie Foundation for the purposes described herein; and

RESOLVED FURTHER, that the City Clerk is hereby directed to give notice as provided in Section 5.11 of the Charter of the City of Midland.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all of the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk

**Backup material for agenda item:**

4.       \* Approving the re-election of David A. Keenan and Jeneé Velasquez to the City and County of Midland Joint Building Authority. KEENAN

**SUMMARY REPORT TO MANAGER**  
For City Council Meeting of January 9, 2017

**SUBJECT:** Re-election of Commissioners of the City and County of Midland Joint Building Authority

**INITIATED BY:** David A. Keenan, Assistant City Manager

**RESOLUTION SUMMARY:**

This Resolution re-elects Jenee Velasquez and David A. Keenan to serve four-year terms as Commissioners of the City and County of Midland Joint Building Authority.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Resolution

**CITY COUNCIL ACTION:**

3/5 affirmative vote required for adoption

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David A. Keenan  
Assistant City Manager



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TO: Jon Lynch, City Manager

FM: David A. Keenan, Assistant City Manager

DT: January 4, 2017

RE: Re-election of Commissioners of the City and County of Midland Joint Building Authority

The City and County of Midland Joint Building Authority was created in 1993 as a joint venture between the City of Midland and the County of Midland, to finance, build, and operate the Midland Law Enforcement Center.

The Articles of Incorporation provide that the Authority shall be directed and governed by a Board of Commissioners consisting of three members, one to be elected by the Midland City Council, one to be elected by the Midland County Board of Commissioners, and one to be elected jointly by the City Council and the County Board of Commissioners. The term of each Commissioner lasts four years.

The attached resolution approves the re-election of the City's representative, David A. Keenan, and the jointly elected Commissioner, Jenee Velasquez, for additional four-year terms ending in 2021. It will also be necessary for the County Board of Commissioners to approve Mrs. Velasquez's re-election.

County Administrator/Controller Bridgette Gransden is currently the Joint Building Authority Commissioner elected solely by the county. Her term expires December 31, 2019.

Please let me know if you have any questions.





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BY COUNCILMAN

WHEREAS, the Articles of Incorporation of the City and County of Midland Joint Building Authority provide that the Authority shall be directed and governed by a Commission of the Authority consisting of three members, one to be elected by the Midland City Council, one to be elected by the Midland County Board of Commissioners, and one to be elected by the joint action of the City Council and the County Board of Commissioners; and

WHEREAS, the four-year term of David A. Keenan to represent the City of Midland on said Commission is due to expire on January 24, 2017; and

WHEREAS, the four-year term of Jenee Velasquez as the jointly elected member of said Commission is due to expire on February 7, 2017; now therefore

RESOLVED, that David A. Keenan is hereby re-elected to the office of Commissioner of the City and County of Midland Joint Building Authority for a term beginning January 25, 2017 and expiring on January 24, 2021; and

RESOLVED FURTHER, that Jenee Velasquez is hereby re-elected to the office of Commissioner of the City and County of Midland Joint Building Authority for a term beginning February 8, 2017, and expiring on February 7, 2021.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk

**Backup material for agenda item:**

5.       \* Receiving and filing the audit of the City and County of Midland Joint Building Authority for the year ended June 30, 2016.   KEENAN

**SUMMARY REPORT TO MANAGER**  
For City Council Meeting of January 9, 2017

**SUBJECT:** City and County of Midland Joint Building Authority audit for the year ended June 30, 2016

**INITIATED BY:** David A. Keenan, Assistant City Manager

**RESOLUTION SUMMARY:**

This Resolution receives and files the audit of the City and County of Midland Joint Building Authority for the year ended June 30, 2016.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Resolution
3. Audit for year ended June 30, 2016

**CITY COUNCIL ACTION:**

3/5 affirmative vote required for adoption

---

David A. Keenan  
Assistant City Manager



*City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 \* 989.837.2717 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)*

TO: Jon Lynch, City Manager

FM: David A. Keenan, Assistant City Manager

DT: January 4, 2017

RE: City and County of Midland Joint Building Authority audit report for year ended  
June 30, 2016

Attached to this memo is a proposed Council resolution which would receive and file for public examination the City and County of Midland Joint Building Authority's ("the Authority") annual audit, for the year ended June 30, 2016.

The Authority was formed in 1993 to finance, construct, and operate the Midland Law Enforcement Center. The Authority's income primarily comes from rental income from its two tenants: the City of Midland Police Department and the Midland County Sheriff Department.

The expenses incurred by the Authority relate solely to the maintenance and operation of the building and property. No operational expenses for either the Midland Police Department or the Midland County Sheriff Department are included in these statements. Expenses for those departments are reported in the City's and County's financial statements, respectively.

This financial report is prepared in accordance with standards set by the Governmental Accounting Standards Board. Its major components include the independent auditor's opinion letter, management's discussion and analysis, the financial statements, and the notes to the financial statements. The financial report received an unmodified opinion from the independent auditors, better known as a "clean" opinion. The report was unanimously approved by the Authority board on November 28, 2016.



*City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 \* 989.837.2717 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)*

BY COUNCILMAN

RESOLVED, that the audit of the City and County of Midland Joint Building Authority for the year ended June 30, 2016 is hereby acknowledged as being received by the Midland City Council on this date, and is ordered placed on file for public examination.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a      yea vote of all of the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

---

Selina Tisdale, City Clerk

**City and County of Midland  
Joint Building Authority  
Annual Financial Statement and  
Auditor's Report**

**For the year ended  
June 30, 2016**



CITY AND COUNTY OF MIDLAND JOINT BUILDING  
AUTHORITY

Annual Financial Statement

and

Auditor's Report

For the year ended

June 30, 2016

Board of Directors

Jenee Velasquez - Chairperson

Bridgette Gransden - Secretary

David Keenan - Treasurer

CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY  
ANNUAL FINANCIAL STATEMENT  
FOR THE YEAR ENDED  
JUNE 30, 2016

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# SMITH & KLACZKIEWICZ, PC

## CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA  
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA  
(989) 751-3064

A VETERAN OWNED BUSINESS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
City and County of Midland Joint Building Authority  
Midland, MI

We have audited the accompanying financial statements of the business-type activities of the *City and County of Midland Joint Building Authority* as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the *City and County of Midland Joint Building Authority's* basic financial statements as listed in the table of contents.

The prior year comparative information has been derived from the Authority's 2015 financial statements and in our report dated September 25, 2015, we expressed an unmodified opinion on the respective financial statements of the business-type activities.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the *City and County of Midland Joint Building Authority*, as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Smith + Klaushwitz PC*

***Saginaw, Michigan***

September 15, 2016

## CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using This Annual Report

This annual report consists of the statement of net position, the statement of revenues, expenses, and changes in fund net position, and the statement of cash flows. Along with the footnotes, they provide detailed financial information concerning the City and County of Midland Joint Building Authority (the "Authority"). This section, the management's discussion and analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

### Financial Overview

In analyzing the Authority's financial position, it is important to recognize the purpose of the Authority. The Authority was formed in 1993 to finance, construct, and operate the Midland Law Enforcement Center. The Authority's income primarily comes from rental income from its two tenants: The City of Midland Police Department (64.8 percent), and the Midland County Sheriff Department (35.2 percent).

The following table shows the major components of net position as of June 30, 2016, and 2015.

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current	\$ 526,230	\$ 511,654
Noncurrent and restricted	500,000	714,370
Total assets	<u>1,026,230</u>	<u>1,226,024</u>
<b>LIABILITIES</b>		
Current	112,959	36,084
Total liabilities	<u>112,959</u>	<u>36,084</u>
<b>NET POSITION</b>		
Restricted	500,000	714,370
Unrestricted	413,271	475,570
Total net position	<u>\$ 913,271</u>	<u>\$ 1,189,940</u>

The 2016 balance of net position of \$913,271 is allocated \$591,800 to the City of Midland, and \$321,471 to the County of Midland. The same allocation for 2015 would be \$771,081 and \$418,859, respectively.

The entire statement of net position can be found on page 5 of this report.

During the year ended June 30, 2016, net position decreased by \$276,669, primarily due to capital spending of the capital improvements grant received during the 2014 fiscal year. The following table summarizes the change in net position for the years ended June 30, 2016, and 2015:

	<u>2016</u>	<u>2015</u>
Revenue		
Rental income	\$ 389,237	\$ 495,900
Other	661	1,073
Total revenue	<u>389,898</u>	<u>496,973</u>
Expenses		
Audit and legal	3,500	3,500
Insurance	15,349	12,943
Utilities	106,056	115,324
Building and grounds maintenance	175,445	189,172
Equipment maintenance	44,715	35,141
Capital Outlay	<u>321,502</u>	<u>316,562</u>
Total expenses	<u>666,567</u>	<u>672,642</u>
Change in net position	(276,669)	(175,669)
Net position - beginning	1,189,940	1,365,609
Net position - ending	<u>\$ 913,271</u>	<u>\$ 1,189,940</u>

The entire statement of revenues, expenses, and changes in fund net position is provided on page 6 of this report.

### **Factors Expected to Have an Effect on Future Operations**

The Authority expects revenue and expenses related to current operations to remain consistent in the upcoming year. Any capital improvements completed in 2016/17 will be paid for with fund equity.

### **Contacting the Authority's Management**

This financial report is intended to provide the City of Midland and the County of Midland with a general overview of the Authority's finances, and to show the Authority's accountability for the money it receives from its two tenants. If you have questions about this report, or require further information regarding the Authority, please contact The City and County of Midland Joint Building Authority, Attention David Keenan, 333 West Ellsworth Street, Midland, MI 48640.

**CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets</b>		
Cash	\$ 512,783	\$ 496,415
Restricted assets (for construction and major maintenance) - cash	500,000	714,370
Prepaid items	<u>13,447</u>	<u>15,239</u>
Total assets	<u>1,026,230</u>	<u>1,226,024</u>
<b>Liabilities</b>		
Accounts payable	<u>112,959</u>	<u>36,084</u>
Total liabilities	<u>112,959</u>	<u>36,084</u>
<b>Net Position</b>		
Restricted for major maintenance	500,000	714,370
Unrestricted	<u>413,271</u>	<u>475,570</u>
Total net position	<u><u>\$ 913,271</u></u>	<u><u>\$ 1,189,940</u></u>

See notes to financial statements

**CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30**

	<u>2016</u>	<u>2015</u>
<b>Operating revenue</b>		
Rental income	\$ 389,237	\$ 495,900
<b>Operating expenses</b>		
Audit and legal	3,500	3,500
Insurance	15,349	12,943
Utilities	106,056	115,324
Building and grounds maintenance	175,445	189,172
Equipment maintenance	44,715	35,141
Total operating expenses	<u>345,065</u>	<u>356,080</u>
<b>Net operating income (loss)</b>	<u>44,172</u>	<u>139,820</u>
<b>Nonoperating revenue (expense)</b>		
Interest income	661	1,073
Capital outlay expenses	<u>(321,502)</u>	<u>(316,562)</u>
Total nonoperating revenue (expense)	<u>(320,841)</u>	<u>(315,489)</u>
<b>Change in net position</b>	(276,669)	(175,669)
<b>Net position - beginning of year</b>	<u>1,189,940</u>	<u>1,365,609</u>
<b>Net position - end of year</b>	<u><u>\$ 913,271</u></u>	<u><u>\$ 1,189,940</u></u>

See notes to financial statements

**CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Cash received from lease contracts	\$ 389,237	\$ 495,900
Payments to suppliers for goods and services	(266,398)	(348,500)
Net cash provided by (used in) operating activities	<u>122,839</u>	<u>147,400</u>
<b>Cash flows from capital and related financing activities</b>		
Capital outlay expenses	<u>(321,502)</u>	<u>(316,562)</u>
<b>Cash flows from investing activities</b>		
Interest received on deposits	<u>661</u>	<u>1,073</u>
<b>Net increase (decrease) in cash</b>	(198,002)	(168,089)
<b>Cash - beginning</b>	<u>1,210,785</u>	<u>1,378,874</u>
<b>Cash - ending</b>	<u><u>\$ 1,012,783</u></u>	<u><u>\$ 1,210,785</u></u>
<b>Reconciliation of operating income to cash flows from operating activities</b>		
Operating income (loss)	\$ 44,172	\$ 139,820
Increase (decrease) in current assets and liabilities		
Prepaid expenses	1,792	(2,150)
Accounts payable	76,875	9,730
Net cash provided by (used in) operating activities	<u><u>\$ 122,839</u></u>	<u><u>\$ 147,400</u></u>
<b>Balance sheet classification of cash</b>		
Unrestricted cash	\$ 512,783	\$ 496,415
Restricted cash	500,000	714,370
	<u><u>\$ 1,012,783</u></u>	<u><u>\$ 1,210,785</u></u>

See notes to financial statements

CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

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**NOTE 1 - REPORTING ENTITY**

The City and County of Midland Joint Building Authority (the "Authority") was incorporated in 1993 under the provisions of Act 31, Public Acts of Michigan, 1948, as amended to finance, construct, and operate the Midland Law Enforcement Center. The Midland Law Enforcement Center is owned jointly by the City of Midland and Midland County. The Authority operates and maintains the Midland Law Enforcement Center for the City of Midland Police Department and the Midland County Sheriff Department and charges rent to fund the operating and maintenance costs. The Authority is governed by a three-person board with the City and County each appointing one member and with the third member being mutually appointed.

The financial operations of the Authority are presented as a joint venture in the annual financial statements of both the City of Midland and the County of Midland. In accordance with U.S. GAAP, there are no component units included in these financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental entities. The following is a summary of the more significant policies:

**A. Basis of Presentation**

The financial statements have been prepared in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (GASB).

**B. Basis of Accounting**

The Authority uses the accrual method of accounting except for capital outlay expenditures, which are expensed as incurred. The construction costs of the Law Enforcement Center as well as subsequent capital improvements and purchases are reported on the government-wide statements of the City and County.

**C. Restricted Cash**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to first spend restricted net position.

**D. Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

#### E. Proprietary Funds

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operating. The principal operating revenue of the Authority relates to rental charges to the City and County. Operating expenses include the costs to maintain the building and equipment, general and administrative expenses, utilities, and insurance. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### F. Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority has defined cash and cash equivalents to include demand deposits.

#### NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. At year end the carrying amount of the Authority deposits is as follows:

<u>Deposits</u>	<u>2016</u>	<u>2015</u>
Net Carrying Amount	\$ 1,012,783	\$ 1,210,785
Bank Balance	1,015,487	1,221,529
Federal Depository Insurance	250,000	250,000
Uninsured/Uncollateralized	765,487	971,529

The Authority held no investments at June 30, 2016 and 2015.

#### NOTE 4 - LEASE CONTRACTS AND RESTRICTED ASSETS

Annual leases that automatically renew are in effect with both the City of Midland and the County of Midland. These leases provide for payment of rents amounting to 64.8 percent of the Authority's annual operating costs by the City and 35.2 percent by the County.

Under the agreements, certain amounts are required to be set aside in a reserve for major maintenance, the use of which is restricted for the purpose of financing repairs to the major structural and system components of the Law Enforcement Center.

CITY AND COUNTY OF MIDLAND JOINT BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

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During the 2014 fiscal year the Authority received a \$655,000 grant from The Herbert H. & Grace A. Dow Foundation. These funds were used for capital improvements in the 2016 fiscal year.

Details of the assets restricted for major maintenance are as follows:

	<u>2016</u>	<u>2015</u>
Lease required reserve	\$ 500,000	\$ 500,000
Unspent capital grant	<u>-</u>	<u>214,370</u>
Assets restricted for major maintenance	<u>\$ 500,000</u>	<u>\$ 714,370</u>

#### NOTE 5 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority participates in the Michigan Municipal League Property and Liability Pool for claims relating to property and liability. The Pool programs operate as common risk-sharing/management programs for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The Authority's maximum deductible for property and liability coverage is \$1,000 per occurrence. The Authority has had no settled claims resulting from these risks that exceeded their coverage in the past three fiscal years.

**Backup material for agenda item:**

6.       \* Receiving the 2015-2016 Financial Statements and Auditors' Report for the Saginaw-Midland Municipal Water Supply Corporation. SOVA

**SUMMARY REPORT TO MANAGER**  
For City Council Meeting of January 9, 2017

**SUBJECT:** SAGINAW-MIDLAND MUNICIPAL WATER SUPPLY CORPORATION 2015-2016  
FINANCIAL STATEMENTS

**INITIATED BY:** Joseph Sova, Utilities Director

**RESOLUTION SUMMARY:** This resolution receives and files the 2015-2016 Financial Statements, including Independent Auditors' Report, dated June 30, 2016, with comparative figures for June 30, 2015 for the Saginaw-Midland Municipal Water Supply Corporation.

**ITEMS ATTACHED:**

1. Letter of transmittal
2. Resolution
3. 2015-2016 Annual Financial Statements

**COUNCIL ACTION:**

1. 3/5 vote required to approve resolution.



Utilities Department • 333 West Ellsworth Street • Midland, Michigan 48640-5132 • (989) 837-3341 • [CitizenCommentsWater@midland-mi.org](mailto:CitizenCommentsWater@midland-mi.org)

January 4, 2017

Jon Lynch, City Manager  
Midland, Michigan 48640

SUBJECT: SMMWSC 2015-2016 ANNUAL FINANCIAL STATEMENTS

Dear Mr. Lynch:

The Saginaw-Midland Municipal Water Supply Corporation (SMMWSC) was formed and began operations in 1948, operating as a non-profit entity pursuant to Act No. 233 of Michigan Public Acts of 1955, as amended. The Corporation was established to be the supplier of bulk Lake Huron water to its owners, the City of Saginaw and the City of Midland, as well as to other communities along the pipeline route. A board of equal representation from the cities of Saginaw and Midland governs the Corporation.

An annual financial audit is required each year in accord with the original operating agreement of the SMMWSC. The audit is presented to the SMMWSC Board of Directors and is forwarded to each member city.

The Annual Financial Statements and Auditors' Report received by the City for the fiscal year ending June 30, 2016 reflects the following sections and financial statements comparing each to the prior year ending June 30, 2015:

- Management's Discussion and Analysis (Pages 4-8);
- Statement of Net Position (Pages 9 & 10);
- Statement of Revenues, Expenses and Changes in Net Position (Page 11); and
- Statement of Cash Flows (Page 12).

The Independent Auditors' Report (Pages 1-3), Notes to Financial Statements (Pages 13-26), Required Supplementary Information (Pages 27-31); Schedule of Employer Contributions (Page 27), Schedule of Changes in Net Pension Liability and Related Ratios (Page 28), Schedule of Employers' Net Pension Liability (Page 29), Schedule for Indebtedness (Page 30), and Schedule of Financial Highlights (Page 31) provides further insight into the SMMWSC operations.

The appropriate action is to receive and file the report with the City Clerk, which requires a 3/5 vote to approve.

Respectfully submitted,

---

Joseph Sova, Utilities Director



*Utilities Department • 333 West Ellsworth Street • Midland, Michigan 48640-5132 • (989) 837-3341 • [CitizenCommentsWater@midland-mi.org](mailto:CitizenCommentsWater@midland-mi.org)*

BY COUNCILMAN

RESOLVED, that the Saginaw-Midland Municipal Water Supply Corporation Annual Financial Statements and Auditors' Report dated June 30, 2016, with comparative figures for June 30, 2015, be received and filed in the office of the City Clerk.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk

**Saginaw-Midland Municipal  
Water Supply Corporation  
Financial Statements  
June 30, 2016 and 2015**

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## **Independent Auditors' Report**

Board of Trustees  
Saginaw-Midland Municipal Water Supply Corporation  
Bay City, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saginaw-Midland Municipal Water Supply Corporation, a joint venture with the City of Saginaw and the City of Midland, as of June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw-Midland Municipal Water Supply Corporation as of June 30, 2016 and 2015, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the Corporation adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

**Other Matters:****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Municipal Employees Retirement System schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saginaw Midland Municipal Water Supply Corporation's basic financial statements.

The Schedule of Indebtedness, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Indebtedness has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Indebtedness, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Financial Highlights, as identified in the table of contents, for the years ended June 30, 2016 and 2015, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 and 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Financial Highlights, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2016 and 2015, as a whole.

We also have previously audited, in accordance with auditing standards general accepted in the United States of America, Saginaw Midland Municipal Water Supply Corporation's basic financial statements as of June 30, 2014, 2013 and 2012 and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for the purposes of forming an opinion on the financial statements as a whole. The Schedule of Financial Highlights, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014, 2013 and 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Financial Highlights for the years ended June 30, 2014, 2013 and 2012, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
September 21, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Saginaw-Midland Municipal Water Supply Corporation is presenting the following management discussion and analysis in order to provide an overall review of the Corporation's financial activities for the fiscal year ending June 30, 2016. We encourage readers to consider the information presented here in conjunction with the Corporation's financial statements and notes included with same to enhance their understanding of the Corporation's financial performance.

### **BACKGROUND**

The Saginaw-Midland Municipal Water Supply Corporation (Corporation) for more than 69 years has been reliably providing a high-quality source of Lake Huron drinking water to its owners and customers. The Corporation's annual production has neared 17 billion gallons with peak days climbing close to 100 million gallons. The Corporation operates with three plants and is a bulk supplier of high quality raw water to its owners and customers eventually resulting in service to over 260,000 residents in 30 cities or communities in seven (7) Michigan counties. The Corporation's water supply efforts are an illustration of cooperation between two communities for the common good.

The Corporation is the primary government reporting entity even though two (2) municipalities, the City of Saginaw and the City of Midland, jointly own it. Ownership of the system is as follows:

City of Saginaw	53.48837 percent
City of Midland	46.51163 percent

The Corporation is a non-profit municipal corporation operating under Act 233, Michigan Public Acts of 1955.

### **FINANCIAL HIGHLIGHTS**

- The Corporation's revenue from water sales to seven (7) wholesale raw water customers has increased dramatically in 2015-2016 with the addition of Bay County as a customer starting in September 2015. The total volume of water sales to these customers aggregated 2498.10 MG with wholesale water sales revenue totaling \$540,673 for the year.
- In November 2013 the Corporation issued \$4,100,000 Water Supply System Revenue Bonds (Limited Tax General Obligation) Series 2013. Proceeds from the bond sale were specified for the Bay Area Water Project. Construction of the Bay Area Water Project was completed in August 2015.
- The Corporation's total assets and deferred outflows of resources decreased \$106,439 while total liabilities decreased \$2,594,614 resulting in a \$2,488,175 increase in the total net position or 9.46% over the course of the year's operations. The majority of the change was due to the combination of the Bay Area Water Project being completed, the Whitestone VFD project being completed and loan paid off, and the completion of the Whitestone Generator Project.
- The Corporation's operating expenses in 2015-2016 were \$677,880 higher than 2014-2015 expenses. The work necessary to add Bay Area Water Authority as a customer was the main focus during 2014-2015 making operating expenses lower. During 2015-2016 normal maintenance activities resumed and expenses increased. Also, electrical costs and chlorine costs were higher in 2015-2016 because Bay County began receiving water from the Corporation in September 2015.
- The installation of a generator capable of running pumps #4 or #5 at the Whitestone Plant was completed in September 2015. Bay County reimbursed the Corporation for all costs associated with the generator work.
- In September 2015 a VFD (Variable Frequency Drive) Project was completed. An \$800,000 loan was secured to provide funding for the project. This loan was paid off in June 2016.

2015-2016 net non-operating revenues (expenses) increased from the previous year reflecting lower Improvement and Emergency Fund (I&ER) expenses, higher I&ER reimbursements (Whitestone Generator and VFD Projects) and lower bond interest expenses. These items combined to result in an increase in the net position as of June 30, 2016.

- Funds are transferred into a MERS Retiree Health Funding Vehicle, which is a trust set-up to specifically address future retiree health care costs. The Corporation continues to meet its Annual Required Contribution.
- The Corporation is in the final year of a three (3) year labor contract with the Corporation's hourly-unionized employees. The agreement with the Saginaw-Midland Water Supply System Employee's Union covers the period 2015 through 2017.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual audit report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Corporation. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The Corporation's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Corporation's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Corporation and assessing the liquidity and financial flexibility of the Corporation.

All of the current years' revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, its uses and changes in the cash balance during the reporting period.

### **FINANCIAL ANALYSIS OF THE CORPORATION**

A summary of the Corporation's Statement of Net Position is presented in Table A-1.

Table A-1  
**Statement of Net Position - Summary**

	<b><u>2015-2016</u></b>	<b><u>2014-2015</u></b>	<b><u>Dollar Change</u></b>	<b><u>Percent Change</u></b>
Total Current Assets	\$ 537,031	\$ 902,358	\$ (365,327)	-40.49%
Total Restricted Assets	2,991,585	2,651,144	340,441	12.84%
Net Property, Plant and Equipment	36,006,075	36,414,883	(408,808)	-1.12%
<b>Total Assets</b>	<b>39,534,691</b>	<b>39,968,385</b>	<b>(433,694)</b>	<b>-1.09%</b>
<b>Total Deferred Outflows of Resources</b>	<b>800,925</b>	<b>473,670</b>	<b>327,255</b>	<b>69.09%</b>
Total Current Liabilities	2,951,672	3,408,006	(456,334)	-13.39%
Total Long Term Debt	5,705,690	8,497,898	(2,792,208)	-32.86%
Post Retiree Health Cost - Funded	1,198,590	1,065,409	133,181	12.50%
Net Pension Liability	1,687,597	1,166,850	520,747	44.63%
<b>Total Liabilities</b>	<b>11,543,549</b>	<b>14,138,163</b>	<b>(2,594,614)</b>	<b>-18.35%</b>
Invested in Capital Assets	27,750,385	24,988,092	2,762,293	11.05%
Restricted for Improvement & Emergency Repair	1,278,458	1,227,239	51,219	4.17%
Restricted for 2013 Bond Project	514,537	477,172	37,365	7.83%
Unrestricted	(751,313)	(388,611)	(362,702)	93.33%
<b>Total Net Position</b>	<b>\$ 28,792,067</b>	<b>\$ 26,303,892</b>	<b>\$ 2,488,175</b>	<b>9.46%</b>

As can be seen from Table A-1, total assets decreased \$433,694 to \$39,534,691 in 2015-2016 from \$39,968,385 in 2014-2015. The Corporation met its Annual Required Contribution for the Post Retiree Health Cost Trust. Expenditures from the Improvement & Emergency Repair (I&ER) Fund during 2015-2016 totaled \$92,835. These expenditures included the following: emergency repair of the zebra mussel control system on the 66-inch intake, procurement of new cast iron gear sets for 42-inch gate valves, and the procurement of new SCADA computers. The owner cities contributed to the I&ER fund at a level of \$.0125 per 1000 gallons delivered.

Table A-2  
**Statement of Revenues, Expenses and Changes in Net Position - Summary**

	<b><u>2015-2016</u></b>	<b><u>2014-2015</u></b>	<b><u>Dollar Change</u></b>	<b><u>Percent Change</u></b>
Operating Revenues - Water Sales	\$5,378,642	\$5,099,612	\$279,030	5.47%
Operating Expenses	3,999,562	3,321,682	677,880	20.41%
<b>Operating Income</b>	<b>1,379,080</b>	<b>1,777,930</b>	<b>(398,850)</b>	<b>-22.43%</b>
Net Non-Operating Revenues (Expenses)	1,109,095	1,028,200	80,895	7.87%
<b>Changes in Net Position</b>	<b>2,488,175</b>	<b>2,806,130</b>	<b>(317,955)</b>	
Beginning Net Position (as restated)	26,303,892	23,497,762	2,806,130	
<b>Ending Net Position</b>	<b>\$ 28,792,067</b>	<b>\$ 26,303,892</b>	<b>\$ 2,488,175</b>	

While the Statement of Net Position (Table A-1) shows the change in financial net position, the Statement of Revenues, Expenses, and Changes in Net Position (Table A-2) provides answers as to the nature and source of these changes. The Corporation operates with one fund, an enterprise fund on a full accrual basis of accounting similar to private sector companies. The income is recognized when earned and the expense is recognized when incurred. Operating revenues are directly related to operating expenses. The Corporation closes its books at the end of each month and prepares financial reports and billings to its owners and customers such that all costs are covered. As can be seen in Table A-2, operating expenses increased in 2015-2016 by \$677,880, most of which was due to an increase in size/number of maintenance projects and

chlorine costs associated with supplying Bay County raw water. The 2015-2016 net non-operating revenues (expenses) increased from the previous year due to the combination of higher Improvement and Emergency Repair Fund reimbursements, lower Improvement and Emergency Repair Fund expenses, as well as lower bond interest expenses.

### **BUDGETARY HIGHLIGHTS**

The Corporation adopts an annual Operating Budget following review by the Board of Trustees. The Operating Budget includes proposed expenses and anticipated water sales. Each quarter, the Manager provides a Budget Position Statement for the Board's review where actual expenditures are compared to budgeted funds for each account. The Corporation's operating budget remains in effect the entire year. The Corporation has never operated over its approved budget and maintains a philosophy of only spending funds that are regarded as necessary. A budget comparison and analysis is presented in Table A-3.

Table A-3  
**Budget Comparison and Analysis**

<u>Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>	<u>Percent Under</u>
2015-2016	\$5,736,984	\$5,476,734	4.54%
2014-2015	\$5,495,877	\$5,104,256	7.13%
2013-2014	\$5,544,518	\$5,221,425	5.83%
2012-2013	\$5,346,604	\$5,073,719	5.10%
2011-2012	\$5,246,299	\$5,142,848	1.97%

The Board of Trustees and management of the Corporation consider many factors when setting the fiscal year budget. In 2015-2016, the non-operating revenue variance is actual investment income under budget. During 2015-2016, the water sold was over budget by 7.33 percent, while operating expenses were held to 4.54 percent under budget.

### **CAPITAL ASSETS**

At the end of the 2015-2016 fiscal year, the Corporation had \$36,006,075 in Net Capital Assets including the Water System (Whitestone Pumping Station, Pinconning Booster Station, Junction Booster Station, and complete underground distribution system), as well as other assets as shown in Table A-4. The change in the Water System is due to the Bay Area Water Project being finished. There was no change in the Furniture and Fixtures or to Machinery and Equipment during 2015-2016. The Vehicle increase is reflective of vehicle purchases/sales.

Table A-4  
**Capital Assets**

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Capital Assets</b>				
Water System	\$ 66,101,669	\$ 60,345,366	\$ 5,756,303	9.54%
Furniture and Fixtures	14,925	14,925	-	0.00%
Vehicles	121,102	117,907	3,195	2.71%
Machinery and Equipment	546,006	546,006	-	0.00%
Total Capital Assets	66,783,702	61,024,204	5,759,498	9.44%
<b>Less Accumulated Depreciation</b>	<u>30,777,627</u>	<u>29,892,144</u>	<u>885,483</u>	<u>2.96%</u>
	36,006,075	31,132,060	4,874,015	
<b>Construction in Progress</b>	<u>-</u>	<u>5,282,823</u>	<u>(5,282,823)</u>	<u>-100.00%</u>
<b>Net Capital Assets</b>	<u>\$ 36,006,075</u>	<u>\$ 36,414,883</u>	<u>\$ (408,808)</u>	<u>-1.12%</u>

ation's five-year Capital Plan includes:

- Replace two valves on the 48-inch pipeline near AuGres, MI
- Upgrade the overhead chlorine rail at Whitestone that is used to transport/move 1-ton cylinders
- Update and replace the chlorine disinfection system at the Whitestone facility
- Replace corroded lintels at the Whitestone facility

## **DEBT ADMINISTRATION**

General obligation indebtedness outstanding at June 30, 2016 amounted to \$8,255,690. Interest on these bonds is payable semi-annually. More detailed information about the Corporation's long-term liabilities is presented in note 5 of the financial statements.

## **WATER RATES**

### Wholesale Water

The Corporation evaluates water rates charged to its seven (7) municipal customers every three (3) years. The most recent rate study was undertaken in 2015. As a result of the study, rates were decreased from \$0.78 to \$0.65 per 1,000 gallons effective September 1, 2015. The rate decrease resulted in a rate of return of 16.6 percent, which is a realistic return on the Corporation's investment. The water rate design was developed on the "utility basis" of rate making as recommended in the American Water Works Association's Manual of Water Supply Practices M-1, entitled "*Principles of Water Rates, Fees, and Charges*," Fifth Edition, 2000. Details of the water rate design are based on the *Modified Base-Extra Capacity Method*, which most appropriately assigns equitable charges to recover the full cost of water service to the Corporation.

### Owner City Costs

The owners of the Corporation purchase their water each month on a cost basis. The real test of the effectiveness of management and the efficiency of the operation is a review of the cost per 1000 gallons of water delivered to the owner cities. The cost of water includes operating expense, improvement and emergency repair expense, bond interest, loss on early retirement of debt, and depreciation less other income. The net expense for raw water delivered has been computed as shown Table A-5.

Table A-5

### **Millions of Gallons Pumped**

<u>Year ended June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
City of Saginaw	7,305.20	6,907.31	7,074.83	7,217.45	7,559.11
City of Midland	7,258.39	7,020.86	6,894.40	7,236.78	7,628.53
	<u>14,563.59</u>	<u>13,928.17</u>	<u>13,969.23</u>	<u>14,454.23</u>	<u>15,187.64</u>

### **Expense Per 1000 Gallons Pumped**

<u>Year ended June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Expenses	\$ 0.1399	\$ 0.1532	\$ 0.2618	\$ 0.2509	\$ 0.2466

## **CORPORATION CONTACT INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact: Michael Quinnell, Manager/Secretary-Treasurer, Saginaw-Midland Municipal Water Supply Corporation, 4678 S. Three Mile Road, Bay City, MI 48706 or by phone at 989-684-2220 or by email at [office@sagmid.com](mailto:office@sagmid.com).



**Saginaw-Midland Municipal Water Supply Corporation**  
**Water Supply Fund**  
**Statement of Net Position**  
**June 30, 2016 and 2015**

	June 30, <b>2016</b>	2015
<b>Assets</b>		
Current assets		
Cash	\$ 2,521	\$ 288,190
Due from other governmental units		
City of Saginaw	76,719	90,015
City of Midland	75,393	95,890
Bay Area Water Authority	179,687	234,128
Others	13,377	15,841
Inventories	99,944	99,944
Prepaid expenses	89,390	78,350
Total current assets	<u>537,031</u>	<u>902,358</u>
Noncurrent assets		
Restricted assets		
Bond - 2013 Project		
Cash	318,192	400,622
Cash equivalents	196,345	76,550
Retiree health benefits		
Cash	1,198,590	1,065,409
Improvement and emergency repair		
Cash	458,946	292,649
Cash equivalents	800,000	800,312
Due from other governmental units	19,512	15,602
Total restricted assets	<u>2,991,585</u>	<u>2,651,144</u>
Capital assets not being depreciated	-	5,282,823
Capital assets, net of accumulated depreciation	<u>36,006,075</u>	<u>31,132,060</u>
Total capital assets	<u>36,006,075</u>	<u>36,414,883</u>
Total noncurrent assets	<u>38,997,660</u>	<u>39,066,027</u>
Total assets	<u>39,534,691</u>	<u>39,968,385</u>
<b>Deferred outflows of resources</b>		
Deferred amount on 2009 refunding bond issue	16,164	32,327
Deferred amount on 2012 refunding bond issue	272,436	326,923
Deferred amount relating to net pension liability	512,325	114,420
Total deferred outflows of resources	<u>800,925</u>	<u>473,670</u>
<b>Total assets and deferred outflows of resources</b>	<u>40,335,616</u>	<u>40,442,055</u>

**Saginaw-Midland Municipal Water Supply Corporation**  
**Water Supply Fund**  
**Statement of Net Position**  
**June 30, 2016 and 2015**

	June 30, <b>2016</b>	2015
<b>Liabilities</b>		
Current liabilities		
Current portion of loan payable	\$ -	\$ 598,893
Current portion of bonds payable	2,550,000	2,330,000
Accounts payable	-	115,452
Accrued power	111,684	77,552
Accrued vacation and sick pay	289,828	285,929
Accrued other	160	180
Total current liabilities	<u>2,951,672</u>	<u>3,408,006</u>
Noncurrent liabilities		
Long term debt		
Loan payable, net of current portion	-	201,107
Bonds payable, net of current portion	5,550,000	8,100,000
Unamortized premium on 2009 bond issue	8,626	17,252
Unamortized premium on 2012 bond issue	168,501	202,201
Unamortized discount on 2013 bond issue	<u>(21,437)</u>	<u>(22,662)</u>
Total long term debt	5,705,690	8,497,898
Post retiree health cost - funded	1,198,590	1,065,409
Net pension liability	<u>1,687,597</u>	<u>1,166,850</u>
Total noncurrent liabilities	<u>8,591,877</u>	<u>10,730,157</u>
Total liabilities	<u>11,543,549</u>	<u>14,138,163</u>
<b>Net position</b>		
Net investment in capital assets	27,750,385	24,988,092
Restricted for improvement and emergency repair	1,278,458	1,227,239
Restricted for 2013 bond project	514,537	477,172
Unrestricted (deficit)	<u>(751,313)</u>	<u>(388,611)</u>
Total net position	<u>\$ 28,792,067</u>	<u>\$ 26,303,892</u>

**Saginaw-Midland Municipal Water Supply Corporation**  
**Water Supply Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
<b>Operating revenues</b>		
Water sales		
City of Saginaw	\$ 2,352,754	\$ 2,536,728
City of Midland	2,188,065	2,402,327
Other water sales	<u>837,823</u>	<u>160,557</u>
Total operating revenues	<u>5,378,642</u>	<u>5,099,612</u>
<b>Operating expenses</b>		
Water supply expenses	3,095,443	2,490,316
Depreciation	<u>904,119</u>	<u>831,366</u>
Total operating expenses	<u>3,999,562</u>	<u>3,321,682</u>
Operating income	<u>1,379,080</u>	<u>1,777,930</u>
<b>Nonoperating revenues (expenses)</b>		
Bay Area Water Authority capital charge	1,063,940	-
Miscellaneous income	3,669	4,685
Interest on investments	619	1,178
Improvement and emergency repair revenue	183,366	185,536
Improvement and emergency repair reimbursement	227,817	1,168,774
Gain on sale of property, plant and equipment	7,400	23,919
Bond interest expense	(198,294)	(189,088)
Loan interest expense	(15,937)	-
Loss on early retirement of debt	(70,650)	(70,650)
Improvement and emergency repair expenses	<u>(92,835)</u>	<u>(96,154)</u>
Net nonoperating revenues (expenses)	<u>1,109,095</u>	<u>1,028,200</u>
Change in net position	2,488,175	2,806,130
Net position - beginning of year	<u>26,303,892</u>	<u>23,497,762</u>
<b>Net position - end of year</b>	<u><b>\$ 28,792,067</b></u>	<u><b>\$ 26,303,892</b></u>

**Saginaw-Midland Municipal Water Supply Corporation**  
**Water Supply Fund**  
**Statement of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	Year Ended June 30,	
	2016	2015
<b>Cash flows from operating activities</b>		
Water sales	\$ 5,465,430	\$ 4,886,332
Payment to suppliers	(2,210,291)	(2,066,138)
Payment to employees	(821,242)	(780,801)
Net cash provided by operating activities	<u>2,433,897</u>	<u>2,039,393</u>
<b>Cash flows from non-capital financing activities</b>		
Proceeds from Bay Area Water Authority capital charge	1,063,940	-
Cash funding of post retirement liability	133,181	134,716
Proceeds from salvage and miscellaneous	3,669	4,685
Net cash provided from non-capital financing activities	<u>1,200,790</u>	<u>139,401</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from sale of property, plant and equipment	7,400	23,919
Acquisition and construction of property, plant and equipment	(495,311)	(3,036,635)
Proceeds from issuance of long term debt	-	800,000
Principal paid on long term debt	(800,000)	-
Principal paid on bonds payable	(2,330,000)	(2,265,000)
Interest paid	(214,231)	(189,088)
Loss on early retirement of debt	(70,650)	(70,650)
Cash funding of improvement and emergency repair	411,183	1,354,310
Improvement and emergency repair uses	(92,835)	(96,154)
Net cash used for capital and related financing activities	<u>(3,584,444)</u>	<u>(3,479,298)</u>
<b>Cash flows from investing activities</b>		
Interest earned	619	1,178
Change in restricted cash	(336,531)	1,497,341
Net cash provided (used) for investing activities	<u>(335,912)</u>	<u>1,498,519</u>
Net change in cash and cash equivalents	<u>(285,669)</u>	<u>198,015</u>
Cash and cash equivalents, beginning of year	<u>288,190</u>	<u>90,175</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,521</u>	<u>\$ 288,190</u>
<b>Reconciliation of net operating revenues and expenses to net cash provided by (used in) operating activities:</b>		
Operating income	\$ 1,379,080	\$ 1,777,930
Items not requiring cash		
Depreciation	904,119	831,366
Noncash portion of deferred outflows related to net pension liability	520,747	(28,178)
Change in operating assets and liabilities		
Due from other governmental units	86,788	(213,280)
Prepaid expenses	(11,040)	4,369
Deferred amounts	(327,255)	(43,769)
Accounts payable	(115,452)	(263,318)
Accrued expenses	38,011	15,374
Bond discounts and premiums	(41,101)	(41,101)
<b>Net cash provided by operating activities</b>	<u>\$ 2,433,897</u>	<u>\$ 2,039,393</u>

See Accompanying Notes to the Financial Statements

**Saginaw-Midland Municipal Water Supply Corporation**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

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**Note 1 - Description of the Entity**

The Saginaw-Midland Municipal Water Supply Corporation (the "Corporation") is an Authority created by the City of Saginaw and the City of Midland under Act 233, Public Acts of Michigan, 1955. The Authority was created in 1964 for the purpose of acquiring and operating a new water supply system to supplement the existing joint system that had been in existence since 1946.

On May 16, 1985, the Corporation, the City of Saginaw and the City of Midland and the Board of Water Commissioners of the Saginaw-Midland Water Supply System entered into an agreement to consolidate the operation of the joint water system under the Corporation effective June 30, 1985. The agreement provides that ownership interest shall remain as 23/43rds for the City of Saginaw and 20/43rds for the City of Midland.

**Note 2 - Summary of Significant Accounting Policies**

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

**The Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Corporation is the primary government, which has oversight responsibility and control over all activities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Corporation (the primary government) and do not include any other component within its financial statements.

The Corporation operates the water system generally known as the Saginaw-Midland Water Supply System. Ownership of the system, with the exception of the 1967 Saginaw extension, is divided as follows:

City of Saginaw	23/43
City of Midland	20/43

The Supply Corporation is considered a joint venture with equity interest belonging to the City of Saginaw and the City of Midland. Both cities appoint three board members to the Corporation's Board of Trustees.

**Basis of Presentation**

The financial activities of the Corporation are recorded within one fund, categorized and described as follows:

**Proprietary Fund**

Enterprise Fund - The Enterprise Fund reports operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

The accrual basis of accounting is used in recording Enterprise Fund transactions, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered to be cash equivalents. In addition, the Corporation includes short-term investments that are tradable within a three day period as part of cash and cash equivalents.

**Due from Other Government Units**

Due from other government units have been recognized for all significant amounts due to the Corporation. Allowances for uncollectible accounts have not been provided because management does not consider collection doubtful, and feels any uncollected amounts would be immaterial.

**Inventory**

Inventories are valued at cost using the first-in, first-out method.

**Prepaid Expenses**

Prepaid expenses represents expenditures made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods with the passage of time. The Corporation's balance represents those amounts paid for health insurance.

**Property, Plant and Equipment**

Building improvements greater than \$75,000 and equipment, furniture and vehicles greater than \$1,000 are capitalized at the time the costs are incurred. Depreciation is provided using the straight-line method for these capital assets, based on the estimated useful lives, commencing at the time the capital assets are put into operation.

**Deferred Outflows of Resources**

The Corporation reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Corporation also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year. Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt.

**Long-lived Assets**

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net

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position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Cost of Borrowing**

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Significant Concentration of Credit Risk**

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash and cash equivalents. The Corporation invests temporary cash in money market securities in various banks and securities backed by the United States Government. Amounts invested in a single institution are limited to minimize risk. The Corporation evaluates the institutions that they place cash and cash equivalents in for financial stability and monitor them on a continuous basis.

**Adoption of New Accounting Standards**

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

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**Upcoming Accounting and Reporting Changes**

Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans addresses the other postemployment benefit plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The Government is evaluating the impact that the above GASBs will have on its financial reporting.

**Net Position - Unrestricted Deficit**

The Corporation has an unrestricted net position deficit for Business-type activities in the amount of \$751,313 as of June 30, 2016.

**Note 3 - Deposits**

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each institution it deposits funds with and assesses the level of risk of each institution; only those with an acceptable estimated risk level are used as depositories. As of June 30, 2016, \$2,484,525 of the Corporation's bank balance of \$2,984,525 was exposed to custodial credit risk because it was uninsured and uncollateralized, however, \$800,000 was backed by the United States government.



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**Note 4 - Property, Plant and Equipment**

The following table presents the changes in the various fixed assets class categories for the year ended June 30, 2016 as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Construction-in-progress	\$ 5,282,823	\$ -	\$ 5,282,823	\$ -
Capital assets being depreciated				
Water system	60,345,366	5,756,303	-	66,101,669
Furniture and fixtures	14,925	-	-	14,925
Vehicles	117,907	21,831	18,636	121,102
Machinery and equipment	<u>546,006</u>	<u>-</u>	<u>-</u>	<u>546,006</u>
Total capital assets being depreciated	61,024,204	5,778,134	18,636	66,783,702
Less accumulated depreciation for				
Water system	29,318,767	871,302	-	30,190,069
Furniture and fixtures	14,925	-	-	14,925
Vehicles	51,623	23,901	18,636	56,888
Machinery and equipment	<u>506,829</u>	<u>8,916</u>	<u>-</u>	<u>515,745</u>
Total accumulated depreciation	<u>29,892,144</u>	<u>904,119</u>	<u>18,636</u>	<u>30,777,627</u>
Net capital assets being depreciated	<u>31,132,060</u>	<u>4,874,015</u>	<u>-</u>	<u>36,006,075</u>
Capital assets, net	<u>\$ 36,414,883</u>	<u>\$ 4,874,015</u>	<u>\$ 5,282,823</u>	<u>\$ 36,006,075</u>

For the years ended June 30, 2016 and 2015, the amount of capitalized interest included in construction in progress was \$76,075 and \$152,150, respectively.

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**Note 5 - Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	(Reductions)	Balance June 30, 2016	Amount due Within One Year
Loan payable					
issue 2015 - 2.24%					
due 9/1/2016	\$ 800,000	\$ -	\$ (800,000)	\$ -	\$ -
Bonds payable					
refinanced 2009 - 2.4%					
to 4.0% due 9/1/2016	1,740,000	-	(840,000)	900,000	900,000
Bonds payable					
refinanced 2012 - 2.0%					
to 3.0% due 3/1/2021	4,590,000	-	(1,490,000)	3,100,000	1,505,000
Bonds payable					
issue 2013 - 2.0%					
to 4.5% due 9/1/2033	4,100,000	-	-	4,100,000	145,000
	11,230,000	-	(3,130,000)	8,100,000	<u>\$ 2,550,000</u>
Unamortized bond discounts					
and premiums					
2009 bond issue	17,252	-	(8,626)	8,626	
2012 bond issue	202,201	-	(33,700)	168,501	
2013 bond issue	(22,662)	1,225	-	(21,437)	
Total debt	<u>\$ 11,426,791</u>	<u>\$ 1,225</u>	<u>\$ (3,172,326)</u>	<u>\$ 8,255,690</u>	

Loan payable was paid off as of June 30, 2016. It was originally an \$800,000 loan obtained by the Corporation on March 23, 2015. The loan included an interest rate of 2.240%.

Bonds payable at June 30, 2016 and 2015 are comprised of the following individual issues:

**2009 Refunding Issue**

On January 16, 2009, the corporation issued \$5,910,000 Water Supply System Revenue Refunding Bonds (Limited Tax General Obligation), Series 2009.

The Bonds were issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, Act 233, Public Acts of Michigan, 1995, as amended, and Ordinance No. One of the Corporation, adopted on June 21, 1979, as amended by subsequently adopted ordinances including Ordinance No. 2008-1, adopted on August 21, 2008 authorizing the Bonds (collectively, the "Ordinances") of the Saginaw-Midland Municipal Water Supply Corporation (the "Corporation"), for the purpose of refunding the Corporation's Water Supply System Refunding Revenue Bonds, Series 1998 (the "Refunded Bonds"). The Bonds are payable solely from net revenues of the Corporation's Water Supply System (the "System") and any additions thereto, and a statutory first lien on said revenues has been established by said Ordinances, which lien is of equal standing with the lien established for the Corporation's (i) Water Supply System Refunding Revenue Bonds, Series 2002

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(Limited Tax General Obligation) in the original principal amount of \$11,180,000; and (ii) Water Supply System Revenue Bonds (Limited Tax General Obligation) Series 2006 in the original principal amount of \$2,665,000. The Corporation has covenanted and agreed to fix and maintain at all times while any such Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for such other expenditures and funds for the System as are required by said Ordinances.

The net revenues of the System consist of certain contractual payments (the "Contractual Payments") to be made to the Corporation by the City of Saginaw, Michigan and the City of Midland, Michigan (collectively the "Cities") pursuant to a 1979 Revenue Contract Supplement, dated as of May 1, 1979, as supplemented (the "Contract"). Pursuant to the Contract the Cities are obligated to purchase water from the Corporation as a cost of operation of the water systems of each of the Cities. The Cities have pledged their limited tax full faith and credit for payment of their proportion of the Contractual Payments which includes the Cities' obligation to levy taxes, if necessary, within applicable constitutional, charter, and statutory limitations for the payment of said Contractual Payments. The Cities do not have the power to levy additional taxes in excess of their respective applicable constitutional, statutory and charter limitations for the payment of their contractual obligations. The rights and remedies of Bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

#### **2012 Refunding Issue**

On July 19, 2012, the corporation issued \$7,490,000 Water Supply System Revenue Refunding Bonds (Limited Tax General Obligation), Series 2012.

The Bonds were issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, Act 233, Public Acts of Michigan, 1995, as amended, and Ordinance No. One of the Corporation, adopted on June 21, 1979, as amended by subsequently adopted ordinances including Ordinance No. 2012-1, adopted on February 16, 2012 authorizing the Bonds (collectively, the "Ordinances") of the Saginaw-Midland Municipal Water Supply Corporation (the "Corporation"), for the purpose of refunding the Corporation's Water Supply System Refunding Revenue Bonds, Series 2002 (limited Tax General Obligation), dated December 19, 2002, maturing on and after September 1, 2013 to September 1, 2016 (the "Series 2002 Bonds") and the Corporation's Water Supply System Refunding Revenue Bonds, Series 2006 dated April 24, 2006, maturing on and after September 1, 2014 to September 1, 2020 (the "Series 2006 Bonds") (together, the "Refunded Bonds"). The Bonds are payable solely from net revenues of the Corporation's Water Supply System (the "System") and any additions thereto, and a statutory first lien on said revenues has been established by said Ordinances, which lien is of equal standing with the lien established for the Corporation's remaining outstanding (i) Water Supply System Refunding Revenue Bonds, Series 2002 (Limited Tax General Obligation) in the original principal amount of \$11,180,000; and (ii) Water Supply System Revenue Bonds (Limited Tax General Obligation) Series 2006 in the original principal amount of \$2,665,000; and (iii) Water Supply System Revenue Refunding Bonds (Limited Tax General Obligation), Series 2009 in the original principal amount of \$5,910,000. The Corporation has covenanted and agreed to fix and maintain at all times while any such Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for such other expenditures and funds for the System as are required by said Ordinances.

The net revenues of the System consist of certain contractual payments (the "Contractual Payments") to be made to the Corporation by the City of Saginaw, Michigan and the City of Midland, Michigan (collectively the "Cities") pursuant to a 1979 Revenue Contract Supplement, dated as of May 1, 1979, as supplemented (the "Contract"). Pursuant to the Contract the Cities are obligated to purchase water from the Corporation as a cost of operation of the water systems of each of the Cities. The Cities have pledged their limited tax full faith and credit for payment of their proportion of the Contractual Payments which includes the Cities' obligation to levy taxes, if necessary, within applicable constitutional, charter, and statutory limitations for the payment of said Contractual Payments. The Cities do not have the power to levy additional taxes in excess of their respective

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applicable constitutional, statutory and charter limitations for the payment of their contractual obligations. The rights and remedies of Bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

**2013 Issue**

On November 6, 2013, the corporation issued \$4,100,000 Water Supply System Revenue Bonds (Limited Tax General Obligation), Series 2013.

The Bonds were issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, Act 233, Public Acts of Michigan, 1955, as amended, and Ordinance No. One as amended by subsequently adopted Ordinances and Ordinance No. 2013-2 (collectively, the "Ordinances") of Saginaw-Midland Water Supply Corporation (the "Corporation"), for the purpose of defraying the cost of acquiring and constructing enlargements and extensions to the Saginaw-Midland Water Supply System (the "System"). The Bonds are payable solely from the net revenues of the System and any additions thereto (the "Net Revenues"), and a statutory first lien on said revenues has been established by said Ordinances, which lien is of equal standing with the lien established for the Corporation's outstanding Water Supply System Revenue Refunding Bonds, Series 2009 (Limited Tax General Obligation) and the Corporation's Water Supply System Revenue Refunding Bonds, Series 2012 (Limited Tax General Obligation) (collectively, the "Outstanding Bonds"). The Corporation has covenanted and agreed to fix and maintain at all times while any of such bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the System, of the principal and interest on all of said bonds when due, therefor, and to provide for such other expenditures and funds for the System as are required by said Ordinances. The principal and interest on all bonds will be paid by Bay County.

The Net Revenues of the System consist of revenues under the County Contract and raw water contracts with certain other municipalities and certain contractual payments to be made to the Corporation by the City of Saginaw, Michigan and the City of Midland, Michigan (collectively, the "Cities") pursuant to a 2013 Revenue Contract Supplement, dated as of July 1, 2013 (the "Contract"). Pursuant to the Contract, the Cities are obligated to purchase water from the Corporation as a cost of operation of the water systems of each of the Cities. The Cities have pledged their limited tax full faith and credit for the payment of their proportion of the Contractual Payments which includes the Cities obligation to levy taxes, if necessary, within applicable constitutional, statutory and charter limitations for the payment of said Contractual Payments.

The annual requirements to amortize the debt outstanding as of June 30, 2016 are as follows:

Year Ended June 30,	Principal			Interest	Total
	2009	2012	2013		
2017	\$ 900,000	\$ 1,505,000	\$ 145,000	\$ 257,046	\$ 2,807,046
2018	-	400,000	155,000	189,550	744,550
2019	-	400,000	160,000	174,000	734,000
2020	-	400,000	170,000	157,450	727,450
2021	-	395,000	175,000	140,350	710,350
2022 - 2026	-	-	1,025,000	572,252	1,597,252
2027 - 2031	-	-	1,310,000	348,219	1,658,219
2032 - 2034	-	-	960,000	65,169	1,025,169
	<u>\$ 900,000</u>	<u>\$ 3,100,000</u>	<u>\$ 4,100,000</u>	<u>\$ 1,904,036</u>	<u>\$ 10,004,036</u>

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**Note 6 - Restricted Net Assets**

Detail of restricted net assets is as follows:

	June 30, 2016	2015
Restricted in use for 2013 bond project	<u>\$ 514,537</u>	<u>\$ 477,172</u>
Restricted in use for post retirement health care		
Assets	\$ 1,198,590	\$ 1,065,409
Liability	<u>(1,198,590)</u>	<u>(1,065,409)</u>
	<u>\$ -</u>	<u>\$ -</u>
Restricted in use for improvements and emergency repairs to the system		
Saginaw	\$ 683,835	\$ 656,404
Midland	<u>594,623</u>	<u>570,835</u>
	<u>\$ 1,278,458</u>	<u>\$ 1,227,239</u>

**Note 7 - Pension Plans**

**Defined Benefit Plan**

Plan Description - The Corporation participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all employees of the Corporation hired prior to February 1, 2000. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided - Benefits provided include plans with multipliers ranging from 2.25% to 2.50%. Vesting periods of 6 years. Normal retirement age is 60 with early retirement at 50 with 25 years of services or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions range from 3% to 5%.

Employees covered by benefit terms - At the December 31, 2015 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to, but not yet receiving benefits	1
Active employees	<u>9</u>
	<u>23</u>

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**Contributions** - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. The Corporation requires a contribution from the union employees of 3% and non-union employees of 5% of gross wages. The Corporation's funding policy provides for monthly employee and employer contributions at actuarially determined rates. Both divisions are closed to new hires.

**Net pension liability** - The employer's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions** - The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.75% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, 2016, respectively); 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the 2 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

**Discount rate** – The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Changes in Net Pension Liability**

Fiscal year ended June 30,	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 61,261	\$ 58,812
Interest on the total pension liability	323,677	313,502
Experience differences	43,058	-
Changes in actuarial assumptions	221,457	-
Other	10,115	9,797
Benefit payments and refunds	<u>(258,250)</u>	<u>(254,052)</u>
Net change in total pension liability	401,318	128,059
Total pension liability - beginning	<u>4,144,457</u>	<u>4,016,398</u>
Total pension liability - ending (a)	<u>\$ 4,545,775</u>	<u>\$ 4,144,457</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 163,116	\$ 139,264
Employee contributions	26,572	27,878
Pension plan net investment income (loss)	(44,364)	181,946
Benefit payments and refunds	(258,250)	(254,052)
Pension plan administrative expense	<u>(6,503)</u>	<u>(6,671)</u>
Net change in plan fiduciary net position	(119,429)	88,365
Plan fiduciary net position - beginning	<u>2,977,607</u>	<u>2,889,242</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,858,178</u>	<u>\$ 2,977,607</u>
Net pension liability (a-b)	<u>\$ 1,687,597</u>	<u>\$ 1,166,850</u>
Plan fiduciary net position as a percentage of total pension liability	62.88%	71.85%
Covered employee payroll	593,807	570,946
Net pension liability as a percentage of covered employee payroll	284.20%	204.37%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (7%) or 1% higher (9%) than the current rate.

	<u>1% decrease</u>	<u>Current discount rate</u>	<u>1% increase</u>
Total pension liability	\$ 4,994,721	\$ 4,545,775	\$ 4,156,329
Fiduciary net position	<u>2,858,178</u>	<u>2,858,178</u>	<u>2,858,178</u>
Net pension liability	<u>\$ 2,136,543</u>	<u>\$ 1,687,597</u>	<u>\$ 1,298,151</u>

**Saginaw-Midland Municipal Water Supply Corporation**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

Pension expense and deferred outflows of resources related to pensions – For the year ended June 30, 2016, the employer recognized pension expense of \$170,112. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources
Differences in experience	\$ 28,705
Differences in assumptions	147,638
Excess (deficit) investment returns	250,926
Contributions subsequent to the measurement date*	<u>85,056</u>
Total	<u>\$ 512,325</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2017.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended,</u>	
2017	\$ 153,175
2018	153,176
2019	65,004
2020	<u>55,914</u>
	<u>\$ 427,269</u>

#### **Note 8 - Post Employment Benefits Other Than Pension Benefits**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Corporation recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Corporation future cash flows. The recognition of the liability accumulated from prior years is being phased in over 24 years.

The Corporation has a single-employer plan, administered by MERS, for post-employment benefits other than pension benefits (OPEB). The Corporation provides continuation of health coverage under its Blue Cross insurance plan to all salary employees and their qualified spouse hired prior to September 30, 1998. In addition, the Corporation provides post-retirement health coverage to the Manager and qualified spouse of the Corporation hired in fiscal year 2004. Union Employees hired prior to January 1, 2006 have post-retirement health care coverage. This coverage becomes supplemental to Medicare coverage when the retired employee becomes eligible for Medicare. The Corporation had fifteen retirees, qualifying for post-retirement health care coverage at June 30, 2016 and 2015. There is no required contribution for plan members. The Plan issues no stand-alone financial report. Salary and Union employees hired on or after January 1, 2015 are not eligible for post-retirement health care coverage when they retire. The Corporation places 2% of the employee's base wage into an Individual MERS Health Care Savings Program. These funds, administered by MERS, are for the sole purpose of paying health care benefits for the employee. The Board of Trustees has the authority to amend this plan.



**Saginaw-Midland Municipal Water Supply Corporation**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

The Annual Required Contribution (ARC) is made up of the employer normal cost and the amortization of the unfunded actuarial accrued liability. The Corporation has elected and made the full ARC for the years ended June 30, 2016 and 2015 of \$258,822 and \$258,090, respectively, therefore there is no net OPEB obligation as of June 30, 2016.

Trend information as of December 31,

	2013	2010	2007
Actuarial accrued liability	\$ 2,033,698	\$ 2,842,626	\$ 2,450,424
Actuarial value of assets	864,597	465,888	288,968
Unfunded actuarial accrued liability	1,169,101	2,376,738	2,161,456
Funded ratio	42.5%	16.4%	11.8%
Covered payroll	741,911	718,153	713,432
Covered payroll as a percentage of unfunded liability	63.5%	30.2%	33.0%

The Actuarial Value of Assets is set equal to the reported market value of assets.

The unfunded liability as of June 30, is as follows:

	2016	2015
Actuarial determined liability as of December 31, 2013	\$ 2,033,698	\$ 2,033,698
Amount funded through June 30	<u>1,198,590</u>	<u>1,065,409</u>
Unfunded liability	<u>\$ 835,108</u>	<u>\$ 968,289</u>

The actuarial methods and assumptions are based on projections of benefits of the plan and include the types of benefits provided at the time of the valuation and the historical pattern of benefit costs at that point. The unfunded actuarial accrued liability is being amortized over 24 years on a level percentage of active member payroll.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistence with the long-term perspective of the calculations.

In the December 31, 2013, actuarial valuation, the liabilities were computed using an individual entry-age actuarial cost method and level payroll percentage amortization. The actuarial assumptions included an 8 percent rate of return, projected salary increases of 4.5 percent per year and a 4.5 to 9 percent increase in healthcare costs.

#### **Note 9 - Economic Dependency**

The Corporation was created to supply water to the Cities of Saginaw and Midland. During the year ended June 30, 2016, the Corporation also began serving the Bay Area. The water requirements of the Cities and Bay Area are directly related to those of the larger area businesses, which are subject to the general economy of the area. The Corporation's sales to the Cities and Bay Area for the years ended June 30, 2016 and 2015 were \$3,265,905 and \$2,604,423, respectively. These represent 96% and 94%, respectively, of the total

**Saginaw-Midland Municipal Water Supply Corporation**  
**Notes to the Financial Statements**  
**June 30, 2016 and 2015**

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operating revenue each year. The Corporation's receivables from the Cities and Bay Area at June 30, 2016 and 2015 were \$331,799 and \$185,905, respectively. These represent 96% and 92% of the total receivable balance each year, respectively.

**Note 10 - Operating Lease**

The Corporation has an operating lease for a land right-a-way which houses a section of the water supply piping. The lease calls for year to year annual payments and continues until the piping is removed from the right-a-way. The annual payment is based on a basic rent of \$1,716 as of January, 1975 and is adjusted every two years thereafter by applying the Bureau of Labor Statistics of the United States Government cost-of-living index. The lease expense for the years ended June 30, 2016 and 2015 was \$12,357.

**Saginaw Midland Municipal Water Supply Corporation**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2016**

**Schedule of Employer Contributions**

<u>Actuarial Valuation Date</u>	<u>Annual Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
12/31/2006	\$ 73,072	\$ 73,072	\$ -	\$ 560,305	13.04%
12/31/2007	163,641	163,641	-	601,709	27.20%
12/31/2008	157,945	157,945	-	577,939	27.33%
12/31/2009	159,890	159,890	-	585,096	27.33%
12/31/2010	131,633	131,633	-	590,031	22.31%
12/31/2011	170,633	170,633	-	605,119	28.20%
12/31/2012	134,916	134,916	-	608,626	22.17%
12/31/2013	139,008	139,008	-	620,395	22.41%
12/31/2014	151,320	151,320	-	570,946	26.50%
12/31/2015	170,112	170,112	-	593,807	28.65%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	10
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group Annuity Mortality Table of 50% male and 50% female blend.

**Saginaw Midland Municipal Water Supply Corporation**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2016**

**Changes in Net Pension Liability**

Fiscal year ended June 30,	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ 61,261	\$ 58,812
Interest on the total pension liability	323,677	313,502
Experience differences	43,058	-
Changes in actuarial assumptions	221,457	-
Other	10,115	9,797
Benefit payments and refunds	<u>(258,250)</u>	<u>(254,052)</u>
Net change in total pension liability	401,318	128,059
Total pension liability - beginning	<u>4,144,457</u>	<u>4,016,398</u>
Total pension liability - ending (a)	<u><u>\$ 4,545,775</u></u>	<u><u>\$ 4,144,457</u></u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 163,116	\$ 139,264
Employee contributions	26,572	27,878
Pension plan net investment income (loss)	(44,364)	181,946
Benefit payments and refunds	(258,250)	(254,052)
Pension plan administrative expense	<u>(6,503)</u>	<u>(6,671)</u>
Net change in plan fiduciary net position	(119,429)	88,365
Plan fiduciary net position - beginning	<u>2,977,607</u>	<u>2,889,242</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,858,178</u></u>	<u><u>\$ 2,977,607</u></u>
Net pension liability (a-b)	<u><u>\$ 1,687,597</u></u>	<u><u>\$ 1,166,850</u></u>
Plan fiduciary net position as a percentage of total pension liability	62.88%	71.85%
Covered employee payroll	593,807	570,946
Net pension liability as a percentage of covered employee payroll	284.20%	204.37%

\*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

**Saginaw Midland Municipal Water Supply Corporation**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employers' Net Pension Liability**  
**June 30, 2016**

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<u>Fiscal year</u> <u>ending June 30,</u>	<u>Total pension</u> <u>liability</u>	<u>Plan net</u> <u>position</u>	<u>Net pension</u> <u>liability</u>	<u>Plan net position</u> <u>as a % of total</u> <u>pension liability</u>	<u>Covered</u> <u>payroll</u>	<u>Net pension</u> <u>liability as a % of</u> <u>covered payroll</u>
2015	\$ 4,144,457	\$2,977,607	\$ 1,166,850	71.85%	\$570,946	204.37%
2016	4,545,775	2,858,178	1,687,597	62.88%	593,807	284.20%

\*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

**Saginaw-Midland Municipal Water Supply Corporation**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2016**

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>June 30, 2016</u>
2009 Refunding Bond Issue	1/29/2009	5,910,000	4.00%	9/1/2016	\$ 900,000	<u>\$ 900,000</u>
2012 Refunding Bond Issue	7/19/2012	7,490,000	3.00%	9/1/2016	1,505,000	1,505,000
			3.00%	9/1/2017	400,000	400,000
			3.00%	9/1/2018	400,000	400,000
			3.00%	9/1/2019	400,000	400,000
			3.00%	9/1/2020	395,000	<u>395,000</u>
						<u>3,100,000</u>
2013 Bond Construction Project	11/6/2013	4,100,000	4.50%	9/1/2016	145,000	145,000
			4.50%	9/1/2017	155,000	155,000
			4.50%	9/1/2018	160,000	160,000
			4.50%	9/1/2019	170,000	170,000
			4.50%	9/1/2020	175,000	175,000
			4.50%	9/1/2021	185,000	185,000
			4.50%	9/1/2022	195,000	195,000
			4.50%	9/1/2023	205,000	205,000
			4.50%	9/1/2024	215,000	215,000
			4.50%	9/1/2025	225,000	225,000
			4.50%	9/1/2026	235,000	235,000
			4.50%	9/1/2027	250,000	250,000
			4.50%	9/1/2028	260,000	260,000
			4.50%	9/1/2029	275,000	275,000
			4.50%	9/1/2030	290,000	290,000
			4.50%	9/1/2031	305,000	305,000
			4.50%	9/1/2032	320,000	320,000
			4.50%	9/1/2033	335,000	<u>335,000</u>
						<u>4,100,000</u>
						<u>\$ 8,100,000</u>

**Saginaw-Midland Municipal Water Supply Corporation**  
**Other Supplementary Information**  
**Schedule of Financial Highlights**

Year Ended June 30,

	2016	2015	2014	2013	2012
<b>Millions of Gallons Pumped</b>					
City of Saginaw	7,305.20	6,907.31	7,074.83	7,217.45	7,559.11
City of Midland	<u>7,258.39</u>	<u>7,020.86</u>	<u>6,894.40</u>	<u>7,236.78</u>	<u>7,628.53</u>
	<u>14,563.59</u>	<u>13,928.17</u>	<u>13,969.23</u>	<u>14,454.23</u>	<u>15,187.64</u>
<b>Expenses</b>					
Operating expenses	\$ 3,095,443	\$ 2,490,316	\$ 2,667,510	\$ 2,596,990	\$ 2,725,438
Improvement and emergency repair expenses	92,835	96,154	500,669	142,214	114,389
Bond interest	198,294	189,088	342,297	265,360	533,021
Loan interest	15,937	-	-	-	-
Loss on early retirement of debt	70,650	70,650	70,650	108,472	53,984
Depreciation	<u>904,119</u>	<u>831,366</u>	<u>828,889</u>	<u>826,243</u>	<u>816,555</u>
Total expenses	4,377,278	3,677,574	4,410,015	3,939,279	4,243,387
Less other income	<u>2,324,634</u>	<u>1,544,649</u>	<u>752,689</u>	<u>313,977</u>	<u>499,502</u>
<b>Net expenses</b>	<u>\$ 2,052,644</u>	<u>\$ 2,132,925</u>	<u>\$ 3,657,326</u>	<u>\$ 3,625,302</u>	<u>\$ 3,743,885</u>
<b>Expense Per 1,000 Gallons Pumped</b>					
Operating expenses	\$ 0.2125	\$ 0.1788	\$ 0.1910	\$ 0.1797	\$ 0.1795
Improvement and emergency repair expenses	0.0064	0.0069	0.0358	0.0098	0.0075
Bond interest	0.0136	0.0136	0.0245	0.0184	0.0351
Loss on early retirement of debt	0.0049	0.0051	0.0051	0.0075	0.0036
Depreciation	<u>0.0621</u>	<u>0.0597</u>	<u>0.0593</u>	<u>0.0572</u>	<u>0.0538</u>
Total expenses	0.2995	0.2641	0.3157	0.2726	0.2795
Less other income	<u>0.1596</u>	<u>0.1109</u>	<u>0.0539</u>	<u>0.0217</u>	<u>0.0329</u>
<b>Net expenses</b>	<u>\$ 0.1399</u>	<u>\$ 0.1532</u>	<u>\$ 0.2618</u>	<u>\$ 0.2509</u>	<u>\$ 0.2466</u>

**Backup material for agenda item:**

7.       \* Approving the request from Midland Public Schools to charge admission to athletic events held in City parks and facilities. MURPHY



SUMMARY REPORT TO MANAGER  
**For City Council Meeting of January 9, 2017**

**SUBJECT:** Request from Midland Public Schools to charge admission to athletic events held in City parks and facilities

**INITIATED BY:** Department of Parks and Recreation

**RESOLUTION SUMMARY:** This resolution approves a request from the Midland Public Schools to charge admission fees for athletic events held on City park property and in City facilities.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Midland Public Schools Letter of Request
3. Resolution

**CITY COUNCIL ACTION:**

1. 3/5 vote required to approve resolution

---

Karen Murphy  
Director of Public Services



Parks & Recreation ♦ 4811 North Saginaw Road ♦ Midland, Michigan 48640-2321 ♦ 989.837.6900 ♦ 989.835.5651 -Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)

January 3, 2017

Jon Lynch  
City Manager  
Midland, MI 48640

RE: Request from Midland Public Schools to charge admission to athletic events held in City parks and facilities

Midland Public Schools (MPS) has requested permission to charge for athletic events held on City park property. The schools host a variety of events in the parks throughout the year, including softball tournaments and track and field events. The events are held on an annual basis, and are conducted in similar fashion each year. To make the process more efficient, I am requesting one approval be granted for all MPS events to charge admission to said events. The Parks and Recreation staff has reviewed the request and recommends approval subject to the following conditions:

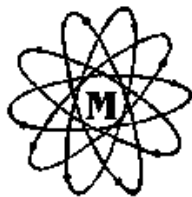
1. MPS has permission to charge admission at all athletic events held in City of Midland parks and facilities.
2. The understanding that use of City facilities is non-exclusive and there may be other people utilizing the area.

The City has allowed this to occur for other athletic events in the past and we have not received any negative feedback from this. Midland Public Schools has been very good to work with on all events to date, and the Parks and Recreation staff supports their request again for 2017.

Respectfully,

---

Karen Murphy  
Director of Public Services



## MIDLAND HIGH SCHOOL HOME OF THE CHEMICS

### **Athletic Department**

1301 Eastlawn Drive  
Midland, MI 48642  
989-923-5216 Fax 989-923-5180  
Eric Albright, Athletic Director  
Sara Kuch, Office Professional

CHEMIC PRIDE - A Very Special Tradition

---

January 1, 2017

To whom it may concern:

This letter seeks permission for the athletic departments of the Midland Public Schools to charge admission fees during 2017 at events held at City of Midland facilities.

Midland and H.H. Dow High Schools will be utilizing The Midland Civic Arena for ice hockey, Emerson Park and Optimist Park for softball, and Stratford Woods for cross country meets.

The fees determined by Midland Public Schools are as follows:

STUDENT (Grades K-12)	\$5.00
SENIORS (AGE 65)	\$5.00
ADULT	\$6.00
PASSES:	
STUDENT (5 PUNCHES)	\$20.00
ADULT (10 PUNCHES)	\$55.00
MHS SENIOR CITIZENS	FREE

Sincerely,

Eric Albright

Athletic Director  
Midland High School

BY COUNCILMAN

WHEREAS, Midland Public Schools has expressed interest in charging for athletic events held in City of Midland parks and facilities during 2017; and

WHEREAS, the Parks and Recreation staff has reviewed and supports the request for Midland Public Schools to charge for athletic events in City of Midland parks and facilities; now therefore

RESOLVED, that the City Council hereby approves Midland Public Schools' request to charge for athletic events in City of Midland parks and facilities during 2017.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

---

Selina Tisdale, City Clerk

**Backup material for agenda item:**

8.       \* Recognizing the Midland County Child Protection Council Safe & Sound Child Advocacy Center as a nonprofit organization in the community. LYNCH

**SUMMARY REPORT**  
for City Council Meeting of January 9, 2017

**SUBJECT: REQUEST TO BE RECOGNIZED AS A NONPROFIT ORGANIZATION**

**RESOLUTION SUMMARY:** This resolution recognizes the Midland County Child Protection Council Safe & Sound Child Advocacy Center as a nonprofit organization in the community for the purpose of registering with the Charitable Gaming Division of the Michigan Lottery.

**ITEMS ATTACHED:**

1. Letter of transmittal
2. Letter of request
3. Tax Exemption Letter
4. Resolution

**COUNCIL ACTION:**

3/5 vote required to approve resolution

Jon Lynch, AICP ICMA-CM  
City Manager



*City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)*

January 4, 2017

Honorable Mayor and City Council  
City of Midland  
Michigan

Dear Councilmen:

Attached please find a letter from Michelle Waskevich, Executive Director of the Midland County Child Protection Council Safe and Sound Child Advocacy Center, requesting acknowledgement of their organization as nonprofit for the purpose of registering with the Charitable Gaming Division of the Michigan Lottery. They are planning to hold a raffle and the Michigan Lottery, Charitable Gaming Division, requires verification of nonprofit status by the local governing body.

You will also find attached a resolution that approves the request.

Sincerely,

Jon Lynch, AICP ICMA-CM  
City Manager

JL:pw

Attachments



December 22, 2016

Jon Lynch  
Manager, City of Midland  
333 W. Ellsworth St.  
Midland, MI 48640

RECEIVED

DEC 27 2016

City of Midland  
City Manager's Office

RE: Resolution for Charitable Gaming License

Dear Mr. Lynch,

On Friday, February 3, 2017 the Midland County Child Protection Council Safe and Sound Child Advocacy Center is holding its 4<sup>th</sup> annual Art + Advocacy Auction fundraiser. The event will take place at Dow Diamond in the Great Lakes Reserve beginning at 7:00 p.m. All monies raised will be used to support the mission of our agency, to prevent child abuse and neglect and to improve the quality of life for children and families, in Midland County.

As a part of this fundraiser, it is our hope to hold a 50/50 raffle. We have applied for a license with the State of Michigan and as a result have been asked to receive a copy of a resolution passed by local government stating our organization is a recognized nonprofit organization in the community. I am writing to request the City of Midland acknowledges Midland County Child Protection Council Safe and Sound Child Advocacy Center as such at your next City Council meeting. I have included the form required by the State of Michigan Charitable Gaming Division in addition to our 501c3 status letter.

If you have any questions or concerns please contact me. Thank you in advance for your support.

Thank you.

Sincerely,

A handwritten signature in dark ink that reads "Michelle Waskevich". The signature is fluid and cursive, with the first name "Michelle" and last name "Waskevich" clearly distinguishable.

Michelle Waskevich  
Executive Director





STATE OF MICHIGAN

## DEPARTMENT OF TREASURY

TREASURY BUILDING

LANSING, MICHIGAN 48922

This form must be kept by the seller when making tax exempt sales. The exempt organization may reproduce this form.

JOHN ENGLER, Governor  
DOUGLAS B. ROBERTS, State Treasurer

NP-0005860

THIS EXEMPTION/FORM IS NOT TRANSFERABLE  
TO ANOTHER INDIVIDUAL OR ENTITY.

Effective Date April 9, 1990

MIDLAND COUNTY CHILD PROTECTION COUNCIL, INC.  
P.O. BOX 2171  
MIDLAND, MI 48640

This letter serves as notice to a seller that your organization qualifies to buy goods and services without paying the Michigan sales or use tax. **TREASURY DOES NOT ISSUE TAX EXEMPT NUMBERS.**

To buy goods and taxable services without paying a sales or use tax, present:

- a copy of this letter, and
- a completed certificate (below) certifying to the seller that the goods or services being purchased are for purposes of the organization and are being paid for from organizational funds. The seller must keep a copy of this certificate with the record of the sale.

Please note the following

- This exemption does not apply to the purchase of tangible personal property or to the purchase of vehicles that are not used primarily to carry out the purposes of your organization as stated in your bylaws or articles of incorporation.
- Employees or members may NOT use this exemption to purchase goods or services for personal use.

The Michigan Department of Treasury may review your exempt status at any time to verify your eligibility. If the Internal Revenue Service revokes your exempt status, if a Treasury audit discovers non-exempt status, or if for any other reason your organization no longer qualifies for exemption, then your organization is subject immediately to sales or use tax on its purchases.

Please notify us if you have a name or address change. If you have questions, please contact this office at 517-373-3190.

Federal Tax I.D.

#

Sincerely,

*Dale P. Vettel*  
Dale P. Vettel, Administrator  
Sales, Use and Withholding Taxes Division

## CERTIFICATE REQUIRED FOR TAX-EXEMPT SALES

I certify that the item or items being purchased are to be used or consumed in connection with the operation of the exempt institution or agency named above and that the consideration for this purchase moves from the funds of the designated institution or agency. In the event this claim is disallowed, the transferee promises to reimburse the seller for the amount of tax involved.

Signature of Authorized Representative of Non-Profit Organization

*De Ona*

Date

06/01/99



**LOCAL GOVERNING BODY RESOLUTION FOR CHARITABLE GAMING LICENSES**  
 (Required by MCL 432.103(K)(i))

At a \_\_\_\_\_ meeting of the \_\_\_\_\_  
REGULAR OR SPECIAL TOWNSHIP, CITY, OR VILLAGE COUNCIL/BOARD

called to order by \_\_\_\_\_ on \_\_\_\_\_  
DATE

at \_\_\_\_\_ a.m./p.m. the following resolution was offered:  
TIME

Moved by \_\_\_\_\_ and supported by \_\_\_\_\_

that the request from \_\_\_\_\_ of \_\_\_\_\_  
NAME OF ORGANIZATION CITY

county of \_\_\_\_\_, asking that they be recognized as a  
COUNTY NAME

nonprofit organization operating in the community for the purpose of obtaining charitable

gaming licenses, be considered for \_\_\_\_\_  
APPROVAL/DISAPPROVAL

**APPROVAL**

Yeas: \_\_\_\_\_

Nays: \_\_\_\_\_

Absent: \_\_\_\_\_

**DISAPPROVAL**

Yeas: \_\_\_\_\_

Nays: \_\_\_\_\_

Absent: \_\_\_\_\_

I hereby certify that the foregoing is a true and complete copy of a resolution offered and

adopted by the \_\_\_\_\_ at a \_\_\_\_\_  
TOWNSHIP, CITY, OR VILLAGE COUNCIL/BOARD REGULAR OR SPECIAL

meeting held on \_\_\_\_\_  
DATE

SIGNED: \_\_\_\_\_  
TOWNSHIP, CITY, OR VILLAGE CLERK

\_\_\_\_\_  
PRINTED NAME AND TITLE

\_\_\_\_\_  
ADDRESS

COMPLETION: Required.  
 PENALTY: Possible denial of application.  
 BSL-CG-1153(R6/09)

**Backup material for agenda item:**

9. Receiving and filing a staff report to the City Council regarding outcomes of the 2017 City Council Planning Retreat. LYNCH

**SUMMARY REPORT OF THE CITY MANAGER**  
for City Council Meeting of January 9, 2017

**SUBJECT: REPORT ON THE 2017 CITY COUNCIL PLANNING RETREAT**

**RESOLUTION SUMMARY:** This resolution receives and files a staff report to the City Council regarding outcomes of the 2017 City Council Planning Retreat.

**ITEMS ATTACHED:**

1. Letter of Transmittal
2. Report to the City Council
3. Resolution

**COUNCIL ACTION:**

1. 3/5 vote required to approve resolution

Jon Lynch, AICP  
City Manager



*City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)*

January 4, 2017

Honorable Mayor and City Council  
City of Midland  
Michigan

Dear Councilmen:

On Saturday, January 7<sup>th</sup>, the City Council will conduct its annual planning retreat. This retreat provides Council an opportunity to review and discuss in detail important factors likely to influence the future financial position of the City. Topics are to include:

- Update on the sister city relationship with Handa, Japan
- Review of previous studies regarding geographic fire protection coverage
- Social media based communications
- Report on activities of the Midland Business Alliance
- Review of Midland County Emergency Management services
- Report on FY 17-18 budget projections
- Council Directives for FY 2017-2018

A key aspect of this annual exercise involves Council providing staff with general directives that serve as a foundation on which the upcoming fiscal year budget is constructed. After Council establishes its budget expectations on January 7<sup>th</sup> they will be incorporated into a summary report that will be distributed for consideration by Council during the regular meeting of January 9<sup>th</sup>.

Provided is a resolution by which the City Council may receive that report.

Sincerely,

Jon Lynch, AICP ICMA-CM  
City Manager



Date: January 9, 2017

**STAFF REPORT TO THE CITY COUNCIL**  
CITY COUNCIL BUDGET OBJECTIVES FOR FY 17-18

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**REPORT**

During the annual City Council planning retreat of January 7, 2017 Councilmen reviewed current and future financial concerns. At the conclusion of that session Council expressed its expectations regarding the basic approach to be taken in developing the Fiscal Year 2017-2018 budget. Following is a basic summary of those expectations:

**Budget Directives**

The City Council anticipates that the following directives will be addressed as staff prepares the FY 2017-2018 budget:

- Public services, with particular emphasis on public safety, will be maintained at the highest level possible under current economic and budget conditions.
- The millage rate supporting general operations may be increased up to 0.5 mill with efforts made to keep any millage increase as low as possible.
- Up to \$750k of Personal Property Tax reimbursement proceeds may be used to balance the FY 17-18 budget.
- Up to \$3.5 million of Personal Property Tax reimbursement proceeds will be earmarked within unreserved fund balance for future fiscal years' budget stabilization efforts.
- Unreserved fund balance shall not be reduced, being maintained at \$5.6 million.

**General Directives**

The City Council also anticipates that the following associated directives will be considered as staff addresses other financial concerns in FY 2017-2018:

- The FY 17-18 budget will include funding of a citizen engagement process, similar to past budget roundtable exercises, to explore citizen fiscal priorities in preparation for FY 18-19.
- Funding sufficient to support the sister city exchange program involving both student and legislative delegation exchanges with Handa, Japan will continue.

- The City of Midland will explore property acquisition to support future fire service needs within the community.

This report broadly outlines the direction Council wishes to convey to staff with regard to development of the Fiscal Year 2017-2018 budget.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Jon Lynch', written in a cursive style.

Jon Lynch, AICP ICMA-CM  
City Manager



*City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ www.cityofmidlandmi.gov*

BY COUNCILMAN

WHEREAS, on January 7, 2017 the City Council conducted a planning retreat for the purpose of discussing current and future financial concerns; and

WHEREAS, at the conclusion of that session Council expressed their expectations regarding the basic approach to be taken in developing the Fiscal Year 2017-2018 budget; and

WHEREAS, during their regular meeting of January 9<sup>th</sup> the City Council reviewed and affirmed those expectations embodied in a report of January 9, 2017 titled: *City Council Budget Objectives for FY 17-18*; now therefore

RESOLVED, that the report *City Council Budget Objectives for FY 17-18* is hereby received.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk



**Backup material for agenda item:**

10. \* Winter Blend Diesel Fuel purchase from December 13, 2016 (4/5 vote required). MURPHY

**SUMMARY REPORT TO MANAGER**  
**For City Council Meeting of January 9, 2017**

**SUBJECT:** Approve Fuel Purchase from December 13, 2016

**RESOLUTION SUMMARY:** This resolution waives the requirement for sealed proposals and approves the purchase of 13,101 gallons of Winter Blend diesel fuel from Paxson Oil for \$22,045.05 that was executed by the Senior Procurement Accountant on December 13, 2016.

**ITEMS ATTACHED:**

1. Transmittal letter to City Manager
2. Resolution

**CITY COUNCIL ACTION:**

1. 4/5 vote required to approve resolution

---

Karen Murphy  
Director of Public Services

MMR



# Midland

Department of Public Services ♦ 4811 North Saginaw Road ♦ Midland, Michigan 48640 ♦ 989.837.6900 ♦ 989.835.5651 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)

January 3, 2017

Jon Lynch  
City Manager  
Midland, Michigan

RE: Approve fuel purchase made on December 13, 2016

At their December 17, 2007 meeting, City Council adopted a resolution that allows for the purchase of full tankers of unleaded gasoline and diesel fuel exceeding \$20,000, and seek approval for the purchase at the next available Council meeting. Fuel is ordered on an as needed basis to maintain an adequate supply to meet the demand of the city fleet as well as to keep a reserve on hand to cover any unanticipated increase in usage. This process was reviewed by City Council on December 21, 2009 and is still deemed to provide significant cost savings to the City.

Fuel is purchased through a competitive bid process whereby the Senior Procurement Accountant faxes out a request for a price per gallon for unleaded and/or diesel fuel to a list of fuel suppliers. Interested suppliers fax back their prices the following morning. Due to the volatility of the fuel market, pricing is only valid for the remainder of that day. The fuel purchase is awarded to the lowest price supplier, and the fuel delivery is scheduled for that same day.

It should be noted that approval of fuel purchases will require a 4/5 vote due to the need to waive the requirement for sealed proposals as a result of the above-described bidding process.

Bids were received using this process on December 13, 2016 for 13,101 gallons of Winter Blend diesel fuel. Bids were received as follows:

Paxson Oil, Saginaw, MI	Winter Blend Diesel	\$1.6827/gallon
Super Flite Oil, Saginaw, MI	Winter Blend Diesel	\$1.6995/gallon
Tri-Lakes Petroleum, Alma, MI	Winter Blend Diesel	\$1.7030/gallon
Foster Blue Water Oil, Bay City, MI	Winter Blend Diesel	\$1.7395/gallon
Hirschman Oil, Reese, MI	Winter Blend Diesel	\$1.7480/gallon
Michigan Petroleum, Port Huron, MI	Winter Blend Diesel	\$1.7840/gallon

The low bid was received from Paxson Oil of Saginaw, Michigan, with a price of \$1.6827 per gallon. The unit price includes the delivery charge, and the total purchase price was \$22,045.05 for 13,101 gallons of fuel delivered.

We are requesting that Council waive the requirements for sealed bids, and approve the purchase of 13,101 gallons of Winter Blend diesel fuel from Paxson Oil for \$22,045.05 that was executed by the Senior Procurement Accountant on December 13, 2016.

Respectfully submitted,

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Karen Murphy  
Director of Public Services  
MMR

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Tiffany Jurgess  
Senior Procurement Accountant



BY COUNCILMAN

WHEREAS, City Council adopted a resolution on December 17, 2007 that allows for the purchase of full tankers of unleaded gasoline and diesel fuel exceeding \$20,000, and seek approval for the purchase at the next City Council meeting; and

WHEREAS, City Council reviewed the process on December 21, 2009 and decided to continue as it still provides a significant cost savings to the City; and

WHEREAS, the volatility of the fuel market does not allow for staff to follow the usual sealed bid process for purchases exceeding \$20,000; and

WHEREAS, staff instead uses a competitive bid process whereby fuel vendors fax in prices that are valid for a particular day with the bid awarded to the lowest priced vendor; now therefore

RESOLVED, that the requirements for sealed proposals for the purchase of fuel are waived due to the volatility of the fuel market; and

RESOLVED FURTHER, that the purchase of 13,101 gallons of Winter Blend diesel fuel from Paxson Oil of Saginaw, Michigan for \$22,045.05 executed by the Senior Procurement Accountant on December 13, 2016, is hereby approved.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a      yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

---

Selina Tisdale, City Clerk

**Backup material for agenda item:**

11. \* E10 Ethanol Blend Unleaded Fuel purchase from December 28 (4/5 vote required). MURPHY

**SUMMARY REPORT TO MANAGER**  
**For City Council Meeting of January 9, 2017**

**SUBJECT:** Approve Fuel Purchase from December 28, 2016

**RESOLUTION SUMMARY:** This resolution waives the requirement for sealed proposals and approves the purchase of 13,398 gallons of E10 ethanol blend unleaded fuel from Super Flite Oil for \$22,755.16 that was executed by the Senior Procurement Accountant on December 28, 2016.

**ITEMS ATTACHED:**

1. Transmittal letter to City Manager
2. Resolution

**CITY COUNCIL ACTION:**

1. 4/5 vote required to approve resolution

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Karen Murphy  
Director of Public Services

MMR



Department of Public Services ♦ 4811 North Saginaw Road ♦ Midland, Michigan 48640 ♦ 989.837.6900 ♦ 989.835.5651 Fax ♦ [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov)

January 3, 2017

Jon Lynch  
City Manager  
Midland, Michigan

RE: Approve fuel purchase made on December 28, 2016

At their December 17, 2007 meeting, City Council adopted a resolution that allows for the purchase of full tankers of unleaded gasoline and diesel fuel exceeding \$20,000, and seek approval for the purchase at the next available Council meeting. Fuel is ordered on an as needed basis to maintain an adequate supply to meet the demand of the city fleet as well as to keep a reserve on hand to cover any unanticipated increase in usage. This process was reviewed by City Council on December 21, 2009 and is still deemed to provide significant cost savings to the City.

Fuel is purchased through a competitive bid process whereby the Senior Procurement Accountant faxes out a request for a price per gallon for unleaded and/or diesel fuel to a list of fuel suppliers. Interested suppliers fax back their prices the following morning. Due to the volatility of the fuel market, pricing is only valid for the remainder of that day. The fuel purchase is awarded to the lowest price supplier, and the fuel delivery is scheduled for that same day.

It should be noted that approval of fuel purchases will require a 4/5 vote due to the need to waive the requirement for sealed proposals as a result of the above-described bidding process.

Bids were received using this process on December 28, 2016 for 13,398 gallons of E10 ethanol blend unleaded fuel. Bids were received as follows:

Super Flite Oil, Saginaw, MI	E10 Ethanol Blend Unleaded Fuel	\$1.6984/gallon
Tri-Lakes Petroleum, Alma, MI	E10 Ethanol Blend Unleaded Fuel	\$1.7219/gallon
Paxson Oil, Saginaw, MI	E10 Ethanol Blend Unleaded Fuel	\$1.7387/gallon
Foster Blue Water Oil, Bay City, MI	E10 Ethanol Blend Unleaded Fuel	\$1.7431/gallon
Hirschman Oil, Reese, MI	E10 Ethanol Blend Unleaded Fuel	\$1.7900/gallon
Michigan Petroleum, Port Huron, MI	E10 Ethanol Blend Unleaded Fuel	\$1.8070/gallon

The low bid was received from Super Flite Oil of Saginaw, Michigan, with a price of \$1.6984 per gallon. The unit price includes the delivery charge, and the total purchase price was \$22,755.16 for 13,398 gallons of fuel delivered.

We are requesting that Council waive the requirements for sealed bids, and approve the purchase of 13,398 gallons of E10 ethanol blend unleaded fuel from Super Flite Oil for \$22,755.16 that was executed by the Senior Procurement Accountant on December 28, 2016.

Respectfully submitted,

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Karen Murphy  
Director of Public Services  
MMR

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Tiffany Jurgess  
Senior Procurement Accountant



BY COUNCILMAN

WHEREAS, City Council adopted a resolution on December 17, 2007 that allows for the purchase of full tankers of unleaded gasoline and diesel fuel exceeding \$20,000, and seek approval for the purchase at the next City Council meeting; and

WHEREAS, City Council reviewed the process on December 21, 2009 and decided to continue as it still provides a significant cost savings to the City; and

WHEREAS, the volatility of the fuel market does not allow for staff to follow the usual sealed bid process for purchases exceeding \$20,000; and

WHEREAS, staff instead uses a competitive bid process whereby fuel vendors fax in prices that are valid for a particular day with the bid awarded to the lowest priced vendor; now therefore

RESOLVED, that the requirements for sealed proposals for the purchase of fuel are waived due to the volatility of the fuel market; and

RESOLVED FURTHER, that the purchase of 13,398 gallons of E10 ethanol blend unleaded fuel from Super Flite Oil of Saginaw, Michigan for \$22,755.16 executed by the Senior Procurement Accountant on December 28, 2016, is hereby approved.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a      yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk



**Backup material for agenda item:**

12.     \* Purchase Order Increase to Anthony Gushow & Sons, Inc. for Cover Sand purchases - Landfill. SOVA

**SUMMARY REPORT TO MANAGER**  
For City Council Meeting of January 9, 2017

**SUBJECT:** LANDFILL – PURCHASE ORDER INCREASE FOR COVER SAND

**INITIATED BY:** Joseph Sova, Utilities Director

**RESOLUTION SUMMARY:** This resolution authorizes an increase of \$35,000.00 to an existing purchase order amount of \$20,000.00 to Anthony Gushow & Sons, Inc. of Auburn, bringing the total purchase order to \$55,000.00, for the delivery of class II sand for daily waste coverage at the Landfill, based on previously bid unit costs, in accord with Sec. 2-18 of the Code of Ordinances for the City of Midland.

**ITEMS ATTACHED:**

1. Letter of transmittal
2. Resolution

**COUNCIL ACTION:**

1. 3/5 vote required to approve resolution.

January 4, 2017

Jon Lynch, City Manager  
Midland, Michigan

Re: LANDFILL – PURCHASE ORDER INCREASE FOR DAILY COVER SAND

Dear Mr. Lynch:

Sealed bids for Sand & Black Dirt, Bid No. 3745 were received on December 15, 2015, for the 12-month period beginning March 1, 2016, and ending February 28, 2017. Anthony Gushow & Sons, Inc. of Auburn submitted the low bid to provide delivered sand.

Purchases of sand at the Landfill are expected to surpass the administratively approved purchase order limit of \$20,000.00 for maintenance work and refuse daily cover usage anticipated through this fiscal year.

The attached resolution will authorize a purchase order increase in the amount of \$35,000.00 for purchases of sand, bringing the total authorized amount to \$55,000.00. Funding has been made available for this purpose in the fiscal year 2016/17 Landfill Enterprise Fund account #517.8110.76.026 – Operating Supplies Daily Cover.

The resolution further authorizes the City Manager to approve changes modifying the purchase order in an aggregate amount not to exceed \$5,000.00. A 3/5 vote is required to approve the resolution.

Respectfully submitted,

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Joseph Sova, Utilities Director

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Tiffany Jurgess, Sr. Procurement Accountant

BY COUNCILMAN

WHEREAS, sealed bids for Sand & Black Dirt, Bid No. 3745 were received on December 15, 2015, for the 12-month period beginning March 1, 2016, and ending February 28, 2017; and

WHEREAS, the low bid from Anthony Gushow & Sons, Inc. was accepted to provide delivered sand; and

WHEREAS, purchases of sand at the Landfill are expected to surpass the administratively approved purchase order limit of \$20,000.00 for maintenance work and refuse daily cover usage anticipated through this fiscal year; and

WHEREAS, an increase of \$35,000.00 to the existing purchase order is necessary to complete purchases of cover sand; and

WHEREAS, funding has been made available for this purpose in the fiscal year 2016/17 Landfill Enterprise Fund account #517.8110.76.026 – Operating Supplies Daily Cover; now therefore

RESOLVED, that an increase of \$35,000.00 to an existing purchase order of \$20,000.00 to Anthony Gushow & Sons, Inc., is hereby authorized, bringing the total purchase order to \$55,000.00 for cover sand purchases, based on previously bid unit prices; and

RESOLVED FURTHER, that the City Manager is hereby authorized to approve change orders in an aggregate amount not to exceed \$5,000.00.

YEAS:

NAYS:

ABSENT:

I, Selina Tisdale, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 9, 2017.

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Selina Tisdale, City Clerk